

Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

CA24N
XC2
-73421

1200
(32) I #16

Ontario Legislative Assembly, Select Committee
on the New Ontario Hydro Building
Hearings. v. 3. June 13 — June 20/74.

Vol 3

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Wednesday, June 13, 1973

Morning session

404-437



APPEARANCES

Committee members:	J.N. Allan
	J.E. Bullbrook
	I. Deans
	M. Gaunt
	L.C. Henderson
	R.G. Hodgson
	W. Hodgson
	J.P. MacBeth (Chairman)
	W. Newman
	J.A. Renwick
	G.W. Walker
Clerk of the committee:	Paul Moore
Committee counsel:	R.E. Shibley, QC
Ontario Hydro counsel:	Pierre Genest
	James McCallum
Canada Square Counsel:	Douglas Laidlaw
Commission Architect, Ontario Hydro:	Kenneth H. Candy

CORRECTION

Statement by Mr. H.J. Sissons on page H-363-2 (June 11th, 1973, 5.25 6 5.30 p.m.) commencing four lines from bottom of the page, should read:

Mr. Sissons: I believe they offered \$2.50 a foot for the first sub-grade floor, as opposed to \$6.00.

H404 - 1

The committee met at 9:40 ~~am~~ o'clock a.m. in the members' boardroom. Mr. MacBeth in the Chair.

Mr. Chairman: *We have a quorum* present, and Mr. Candy is present so I call the meeting to order and ask Mr. Candy to again come forward.

I would remind you, Mr. Candy, that you are under your oath from two days ago.

Mr. Shibley.

Mr. Shibley: Mr. Candy, at the conclusion of yesterday's session, we had been dealing with the series of attendances during the ~~the~~ latter part of November, and I had presented for your consideration and comment the minutes of the general managers' meeting of November 22, the notes, *re* ~~re~~ logistics compiled by Mr. Sissons on the 25th, and a circumstance of the chairman having received that last document on the 26th, and your attendance on Mr. Moog on the 26th as well.

Now, we ~~have~~ ^{had} asked you to reflect on that combination of ~~the~~ circumstances overnight and to give us today the benefit of your recollection as to what transpired during the course of those attendances, what comments were made, what decisions were taken.

Mr. Candy: Could I have a copy of that memo? ~~misspelled~~

Mr. Shibley: Yes. ^{Give} ~~and~~ him exhibits 25 and 26.

Mr. Candy: What we did last night, and we spent a lot of time at this; we even went ~~we~~ we held our meeting last night in the same room as we held this ~~meeting of this~~ general managers' meeting. I even sat in the same chair ...

Mr. Shibley: Yes.

Mr. Candy: ... that I remembered sitting in at that time. We went over all the names of the people that had been at the meeting and we spent, as I say, a lot of time considering this thing, and I would like to say now that there is no doubt in my mind that the information down here which says: "One competent developer has already indicated ^a ~~willingness~~ willingness to work


H-404 - 2

(Mr. Candy)

within the framework ~~of~~ incorporating some considerable part of the architectural ^{ural} design work which was previously shelved."

It must have come from me. I must have said that, *because* ~~nobody~~ nobody else at that meeting would ~~know~~ know it. And I think that at that time that I had been ^{working} ~~meeting~~ with Canada Square. I was quite impressed with Canada Square, and if the members of the general managers' committee and subsequently the commission had been prepared to go ahead with a single developer, this was ~~the~~ the goal that I was working to. The rest of that about competitive tenders and a procedure which would normally be required, it says that, "This could be a reasonable justification for proceeding without the complicating process of soliciting competitive tenders," ~~was~~ was not my wording; I think that is Mr. Sissons' wording, afterwards, or at that meeting, but that part of it was not mine. What I was contributing was the fact ^{and} what I said yesterday about salvaging drawings is still correct; I was not looking at this at all in the way of salvaging ~~the~~ drawings, but the general manager did express a view at that meeting, ~~that~~ that everything should be done that could possibly be done to reuse what we could of those drawings, and his understanding at that time was that in doing that we would, I think, save money by doing it. My understanding of what I said was the fact, you ~~know~~ know, that you cannot just do a scissor job on a set of drawings. ~~My impression was that at that time was that we could -- that there were certain facets of the~~

(Tape H405 - 1 follows)



June 13/73
9.45 to 9.50 am
DTMR. Candy

My intention at that time was that there were certain facets of that which could be incorporated in the design of ^{the} building, and as I had been working with Canada Square up to that time and looking at sketches that they were making, I was aware that certain things which were in that design, features of that design— when you talk about design, I am talking more about layout really than design— were being incorporated. These were things that we felt, in the initial stages, we required and these were again incorporated in the set of drawings, and this is what I had in mind, so I think I'm quite convinced now there's no doubt that I said that at that time.

Mr. Shibley: Mr. Candy, just to make it clear for the record; when you say "we sat down last night and formulated a recollection of what took place at the meeting of November 22," who was in attendance at last night's meeting?

Mr. Candy: At last night's meeting, there was Mr. Gordon, Mr. Sissons, myself, Mr. Durand and Mr. McCallum.

Mr. Shibley: So ^{that} what you are now reporting to this committee emanates from the discussion among those gentlemen last evening, and what you are saying is the recollection of the people you have mentioned?

Mr. Candy: Well, yes. These other people that we looked at, there was no way that any of the other people that are listed at that meeting could have that information.

Mr. Shibley: All right, now just—

Mr. Candy: I am satisfied that I ~~provided~~ provided that information.

Mr. Chairman: Mr. Hodgson.

Mr. R. G. Hodgson: Did you have the benefit of a copy of the agenda of that meeting, or was there an agenda of that meeting?

Mr. Candy: You mean this document here?

Mr. R. G. Hodgson: Of the 22nd. Was there an agenda for the 22nd meeting?

June 13/73
9.45 to 9.50 am
DT

Mr. Candy: No, not that I am aware of.

Mr. Shibley: Now, Mr. Candy, before we go forward, you have made reference to the fact that you had been working with Canada Square and had seen some of their sketches. Did you attend a meeting with personnel at Canada Square on November 2, 1971?

Mr. Candy: Yes, I believe I did.

Mr. Shibley: And you met with Mr. Moog on that occasion?

Mr. Candy: Yes.

Mr. Shibley: You saw sketches that they had prepared that day, did you not?

Mr. Candy: That is correct, yes.


Mr. Shibley: Did you, on that occasion, discuss those sketches with him, as to whether they were suitable or not?

Mr. Candy: Well, the major thing that I was concerned with--and being an architect, naturally, I got enthused with this, with the new concept ~~and~~ First of all, they started out with this curved building which had a lot of pylons and things coming down which I didn't like ~~and~~ I told them that should be taken out and smoothed out and I made several suggestions for changing that. Later on, they had another design which had four pylons in the corner, which to me was not suitable at all, and I told them it wasn't suitable.

To me, it wasn't suitable for that site or for a corner site for that matter, ~~and I told them~~ While I can remember being somewhat upset at the fact that they were doing drawings -- and I am sure I told them that, ~~but~~ at the same time I have got to admit that I was anxious to get this thing on the rails ~~and~~ I did participate in criticizing what they were doing and trying to offer some helpful suggestions ~~and~~ the major things that I saw when I went up there, the plans were a very sketchy thing, the major thing basically was the concept. It was the perspective or the elevation of these various proposals that they had which appealed to me, and these were the things that I was basically criticizing and offering some suggestions on.

June 13/73
9.45 to 9.50 am
DT

Mr. Shibley: Is it fair to say, Mr. Candy, that during the summer and fall of 1971, in addition to providing the plans for the original building, that in the course of communications between yourself and the Canada Square organization, you provided a certain amount of input as to their planning and thinking for purposes of ~~some~~.



(H-406 to follow)

June 13/73

9:50-9:55pm

C.B.

(Mr. Shibley)

~~you provided a certain amount of input as to their planning and thinking for purposes of working up a proposal to Hydro?~~

Mr. Candy: Yes, I would say that.

Mr. Shibley: As an example, you've mentioned your having made comments on the preliminary sketches made on November 2?

Mr. Candy: That's right.

Mr. Shibley: You also provided them on November 9 with the information referable to the number of people to be employed?

Mr. Candy: That's right.

Mr. Shibley: That was to be part of their submission at one time. ^{I take it} Is that correct?

Mr. Candy: Yes.

Mr. Shibley: ~~████~~ In order to influence the thinking in respect of whether the proposal should be put forward?

Mr. Candy: I don't know as it was to be part of the submission, it was part of a sort of a PR thing, they wanted to approach the commission ~~████████~~ ^{with} on the basis this would create employment, that was my understanding of that.

Mr. Shibley: So that when you subsequently, on the first of February, reported upon the various ~~████████~~ proposals that were submitted in a report of that date, which is exhibit 62.

Mr. Candy: That's my letter to the chairman.

Mr. Shibley: That's right, your letter of February 1, 1972, to Mr. Gathercole, and I'm looking at page 10 in particular, of that exhibit.

June 13/73

9:50-9:55 pm

C.B

(Mr. Shibley)

Notice the second^{last} paragraph on page 10

Mr. Candy.

Mr. Candy: Yes.

Mr. Shibley: "The submission by Canada Square Corporation included a set of design drawings for a curved building of a high quality which would enhance the corporate image of Ontario Hydro, whereas it is very doubtful that the low figure of \$26 per square foot submitted ^{by} ~~by~~ Ellis-Don ^{Ltd.} is sufficient to provide a building of the character and quality required for our purposes on this very important and prominent ^{site} ~~site~~. The design of the curved building would be very similar in character with the Treasury building recently constructed ^{by} ~~by~~ the Provincial Government,"and so on.

When you made that observation as part of your report to Mr. Gathercole, the design in question, of course, had received some kind of contribution from you in the way you have just been outlining to ~~that~~ ^{this} committee?

Mr. Candy: That is correct.

Mr. Shibley: Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: Of course, this report was subsequent in point of time to the receipt of the three other proposals from developers who had not submitted design drawings. Is that correct?

Mr. Candy: One had made design drawings.

Mr. Shibley: Yes.

Mr. Candy: But not submitted them.

June 13/73

9:50-9:55pm

C.B.=

(Mr. Shibley: The one in question was Horizon.

Mr. Candy: Horizon.

Mr. Shibley: You had indicated to them when you saw them that they were unacceptable?

Mr. Candy: That is correct.

Mr. Shibley: Did you provide ~~it~~ them with the same input as to the kind of design that would be acceptable?

Mr. Candy: No, I would ^{not} say so, it was a ~~series~~ series of three separate towers as I recall it now. ^{It} ~~It~~ was a fairly large-scale presentation which they had in an office next to Mr. Zwigg's office. He took me in there and I was quite surprised to see these. This was in the early part of January.

Mr. Shibley: Yes.

Mr. Candy: And as far as I was concerned, just in looking at it, this wasn't the type of thing that we wanted at all, and I think the attitude, as I recall ^{of} Mr. ~~Zwigg~~ ^{was} "Okay, forget it."

Mr. Shibley: In fact, it was the understanding from you of the other three developers who submitted proposals that they were not to submit drawings. Is that not so?

Mr. Candy: That is correct.

Mr. Shibley: All right. Now then just again while we're at it. On November 1, 1971, exhibit 22, indicates that there was a meeting at which you were in attendance with Mr. Sissons, Banks, Witbeck and Dean, ~~and~~ Is it fair to conclude that it was at this meeting that the decisions was taken to abandon the original plans and to design a new structure?

June 13/73

9:50-9:55 am

C.B.

Mr. Candy: I would certainly say that at that meeting this was the interpretation that I took from that meeting.

~~Mr. Shibley: Yes. Now if Mr. Moog's organization had~~

H 407 to follow

H-407-1

(Mr. Candy)

~~meeting. This was the interpretation that I took from that meeting~~

Mr. Shibley: Now, if Mr. Moog's organization had already done some drawings on November 2, 1972, upon which you expressed your views, do I take it that Canada Square and their architects were already alert to the prospect that a building of new design was in contemplation?

Mr. Candy: As of November 2nd?

Mr. Shibley: Yes.

Mr. Candy: Yes, I would say so.

Mr. Shibley: They would have known it prior to November 1, would they not?

Mr. Candy: Yes, I would say so. That's right.

Mr. Shibley: When would you have communicated to them that in all likelihood a building of new design would be constructed?

Mr. Candy: At either the end of August or the beginning of September, somewhere in there, after I had given them the drawings and asked them for a proposal on that original building, that is when Mr. Moog got back to me and said that he was not particularly interested, or really not interested at all, in putting in a proposal on that site, ~~and~~ he was very enthusiastic about a new type of design for that site which he thought would be much more, not sensational, but something much more attractive and much more ~~he~~ was very revenue-oriented ~~and~~ ~~was~~ something that we could get revenue out of, ~~and~~ he thought that the area itself, the location of that site, would support a commercial area, and he was quite enthusiastic about doing something entirely different and not proceeding with the present building.

Mr. Shibley: So that sometime between August 11, 1971, and November 1, 1971, that exchange between yourself and Mr. Moog took place?

Mr. Candy: That is correct.

Mr. Shibley: You submitted the drawings to him on the 11th ~~and~~ ~~the~~ ~~it~~ -- would it be in the latter part of August that he said that he wasn't interested in submitting a lease-purchase offer on the original plans?

H-407-2

Mr. Candy: I am not positive of that. I know I had a meeting with him on August 25. ~~and~~ I don't know whether it was at that meeting or whether he called me, but that is why I am saying it was either towards the end of August, or the early part of September ^{when} ~~that~~ he advised me that he was not interested in proceeding with it. It is somewhere in that time.

Mr. Shibley: Yes. What I'm interested in knowing is whether the concept of a newly designed building originated with Mr. Moog, or with yourself?

Mr. Candy: Do you mean drawings?

Mr. Shibley: No, who ~~—~~

Mr. Candy: No, they initiated with Mr. Moog. Because when I went up there, when he called me, for instance, to go up and said he had something to show me, this is the first time I had seen sketches of anything. And they had gone ahead, they are an aggressive organization, and they had gone ahead as they do on most schemes they do, many of which do not come to fruition. But they had gone ahead on their own and they showed me these sketches of the proposal that they had intended to pursue. This was entirely on their initiative, and not on mine.

Mr. Shibley: So, Mr. Candy, just to refresh your memory you had meetings on August 24 with Mr. Johnston of Canada Square?

Mr. Candy: Yes.

Mr. Shibley: And another meeting on August 25 with Mr. ~~X~~

Mr. Candy: Yes.

Mr. Shibley: Would it be in ^{the} ~~the~~ course of that series of meetings that this discussion, respecting a new design for the building took place?

Mr. Candy: No, not respecting a new design. It is quite possible that ~~on~~ the 25th of August is when Mr. Moog told me that he was not interested in proceeding with that, and he talked about ~~somebody~~ the type of thing he thought we should be doing on that site. ~~The meeting of the 24th with.~~

H-408-1 follows

Chairman: Mr. MacBeath

" - 408 - 1

(Mr. Candy)

~~the type of thing he thought we should be doing on that~~
~~site. On~~ the meeting of the 24th ^{with} Mr. Johnson, as I recall,
I think what happened there was that Mr. Johnson came down
to see the cost report of the first building prepared by
Hanscomb Roy.

Mr. Shibley: So that again now we have another item
of input to them. There was a breakout of the cost of the
original building by Hanscomb ~~and~~ Roy. Is that correct?

Mr. Candy: I think that is correct. I think that
is what he came down to see. He was the estimator and that
is all he would be down for, I think, to see that.

Mr. Shibley: And he was shown the breakout of that
costing?

Mr. Candy: I would say yes.

Mr. Deans: When was that?

Mr. Shibley: On August 24th. Well, then, you say on
the 25th, Mr. Moog indicated that he was not interested in
doing a lease-purchase on the original set of plans but would
be interested in submitting a proposal on a newly designed
building. Is that c~~o~~rrect?

Mr. Candy: As far as I can recall, I would think that
that is probably the date that he told me that, yes.

Mr. Shibley: And during the months of September and
October, 1971, did you make any attendances upon the personnel
of Canada Square who were responsible for working up their
proposal?

Mr. Candy: Not that I have any recollection of. I
don't think there was, and I was away in October quite a bit
~~and I don't recall doing that.~~

Mr. Shibley: All right. The one ~~main~~ contribution
you made to their design was to comment upon the sketches you
saw on November 2nd?

H - 408 - 2

Mr. Candy: Yes.

Mr. Shibley: The breakout of cost to which you referred earlier prepared by Hanscomb ~~and~~ Roy, I believe, was dated March 23, 1970, and is already exhibit 8 in these proceedings. Is that correct?

Mr. Candy: That is called report number 6, isn't it?

Mr. Shibley: It is called—I am sorry, I must be wrong in that. Is that it? That is, the cost escalation—

Mr. MacCallum: Is that what you are looking for?

Mr. Shibley: No, I am looking for what the witness has referred to, I want to make sure I understand.

Mr. Candy: I am referring to Hanscomb Roy's report number 6 which was their final report on the cost of the building.

Mr. Shibley: Well, perhaps during the morning recess you might locate that document among your records, Mr. MacCallum. I would like to be sure if it isn't already an exhibit that it is an exhibit. Have you an approximate date for the document? Do you have any idea when that was done?

Mr. Candy: It was around the end of ^{V9}69. That was the final—that was the net cost. What we did with that was we had an estimate in 1968 and they kept their costs all based on 1968 all the way through, and the purpose of employing Hanscomb Roy was ^{for} cost control as we were doing the designing.

Mr. Shibley: Now, Mr. Candy, you have already dealt with what is the recollection of the people who met last night respecting the meeting of November 22nd. Have you any comments now to make respecting the memorandum of November 25th, compiled by Mr. Sissons?

Mr. Candy: The only thing I can say there I was not aware of that memorandum at all, I ~~had~~ ^{have} never seen the memorandum. I was not aware that it had been written. ~~That was~~

June 13th, 1973

10.05 - 10.10 am

H 409 - 1

AA

(Mr. Candy)

That was discussed, apparently with the general manager and Mr. Sissons and the chairman, and then ~~on~~ November 26th was when Mr. Sissons advised me then that we were going to get competitive bids.

Mr. ~~Shibley~~ Shibley: Let's then talk about November 26th. Was there a meeting or in some way was a decision taken on the 26th of November or shortly thereafter respecting a change of direction, respecting

Mr. Candy: Well, I think the meeting of the 26th was the change of direction.

Mr. Shibley: What meeting are you talking about?

Mr. Candy: Well, I am talking about the meeting between the chairman, Mr. Sissons, and Mr. Gordon which Mr. Sissons advised me of by telephone ^{you know} that they had made a change of direction, that they had ~~decided~~ decided now that we would go out and get competitive proposals from other developers.

Mr. Shibley: I might tell you Mr. Candy that up to this point, we ~~have~~ have not heard ~~any~~ evidence, that I can recollect, of a meeting on November 26th between those three gentlemen. Would you please now provide this committee with particulars of such meeting?

Mr. Candy: Well, the only thing I know about the meeting is we discussed it last night. They recollected that there had been a meeting and at that point with the general manager and the chairman, ~~and~~ that it was discussed with them, and that's really the only information I have on that. All I know is that I ~~was~~ was advised that ~~we~~ we were now going to get competitive bids.

Mr. Shibley: So you received a telephone instruction, from whom?

Mr. Candy: Mr. Sissons.

June 13th, 1973

10.05 - 10.10 am

H 409 - 2

AA

(Mr. Shibley)

Mr. Shibley: Mr. Sissons?

Mr. Candy: Yes.

Mr. Shibley: And it was to what effect?

Mr. Candy: Well, the fact that we were going to get ~~some~~ we had to get competitive proposals.

Mr. Shibley: Yes. Was any explanation given to you in that respect?

Mr. Candy: I don't recall, Mr. Shibley. I think that ...

Mr. Chairman: ~~Have~~ you ^{have a} ~~any~~ comments to make, Mr. McCallum?

Mr. McCallum: Well I wonder, in relation to the time of the meeting, my memory was that Mr. Sissons had said that it was about that time that the meeting had taken place. I don't think he said specifically, ^{has} As Mr. Candy ~~said~~, I think the chairman also said that it was about that time.

Mr. Chairman: The point being that Mr. ~~Mc~~McCallum didn't think that in their discussion last evening that ~~they~~ they were specifically ^{to the date, as Mr. Candy has heard} ~~to think that Mr. McCallum had been~~

Mr. McCallum: No, no. That would mislead you entirely. I was ~~making the point~~ making the point, if I may, that the earlier evidence to which Mr. Shibley has alluded this morning, indicated, first that the chairman thought that this meeting had been ~~had~~ held about this time, ~~that~~ that Mr. Sissons had done the same thing; that Mr. Candy now comes along and says; "I believe it was at that time because I got a phone call from Mr. Sissons on that same date ~~from~~ telling me to do thus ^{and so} that's all I wanted brought to your attention.

Mr. Chairman: Thank you.

Mr. Bullbrook: Well, I want a little bit of clarification. I understood Mr. Shibley to say, and I agreed with him, that I didn't recall any direct evidence from either Mr. Gathercole or Mr. Sissons that there was a meeting on November 26th, and I take it from counsel for Hydro that he is saying in effect that there was evidence from both Mr. Gathercole and Mr. Sissons

June 13th, 1973

10.05 - 10.10 am

H 409 - 3

AA

(Mr. Bullbrook)

that there was a meeting approximately at that time.

Mr. McCallum: I said that the decision was made about that time.

Mr. Bullbrook: At about that time? Do we have a meeting of the minds on our understanding, Mr. Shibley?

Mr. Shibley: Well, perhaps Mr. McCallum can help us in this respect, or Mr. Candy, but my recollection of the evidence was that they did say there was a change of direction following the November 25th memorandum, but they were quite ~~very~~ indefinite as to when. Now this witness is saying that that took place on the 26th. It ~~is~~ is the first time that that has come out and it is the first time that there has been any reference to a meeting among Mr. Gathercole, Mr. Sissons and Mr. Gordon. That is correct, isn't it?

Mr. McCallum: I agree with that. That is my understanding of the evidence.

Mr. Shibley: We ~~hadn't~~ hadn't to this moment heard that a meeting had taken place to consider the November 25th memorandum.

H 410 - 1 follows



June 13, 1973
10.10-10.15a.m.
B.A.

H-410-1

CHAIRMAN: MR. MACBETH

~~(Mr. Shibley)~~

~~had heard that a meeting had taken place to consider the~~
~~November 25th memorandum.~~

(Evidence

Mr. McCallum: I am not aware of any reference to any

~~any~~ heretofore about a meeting that.....

Mr. Bullbrook: That's right. That is my understanding
also.

Mr. Chairman: Is Hansard getting Mr. McCallum's remarks
all right?

Mr. Shibley: Perhaps when we call Mr. Gordon, who will
be one of the next witnesses, he can enlighten us further as to that
particular meeting. In any event, you met with Mr. Moog on
November 26th, and have you any recollection now of what went on at
that meeting?

Mr. Candy: Well, ~~I think when I have~~ most of my meeting
with Mr. Moog ^{were} ~~was~~ when Mr. Moog called me. When Mr. Moog calls me
I make a note of it, and I think that was a pre-arranged meeting and
I think this was again to look at some sketches he had. I don't
think that that meeting was determined by what Mr. Sissons has said.
Now, at the time I had the meeting I probably told Mr. Moog that
we had then decided that we were going to get competitive proposals,
but I think the basic purpose of that meeting was to look at more
sketches that he had.

Mr. Shibley: Did you have any discussion with him?
First of all, had you already received your telephone communication
from Mr. Sissons as ^{of} ~~at~~ the time you went to see Mr. Moog?

Mr. Candy: That is a very hard.....

Mr. Shibley: It appears that you went to Mr. Moog's
office on the 26th at 12 p.m.

Mr. Candy: If I said "yes" or "no", Mr. Shibley, it would
be a guess.

Mr. Shibley: Was there any discussion between you and
Mr. Moog respecting the decision that had been made on that day?

June 13, 1973
10.10-10.15a.m.
B.A.

H-410-2

Mr. Candy: Not really that I can recall. I would think that basically it was a meeting to look at more sketches that they had, but if I had known of that I think ~~it~~ I don't think there is any doubt about it ~~it~~ I would have told him at that time. Now, whether I knew about it at that time or not, it would be a guess on my part to say "yes" or "no".

Mr. Shibley: In any event, when did you provide Mr. Moog with the specifications upon which a proposal was to be made, they being the same specifications as provided to.....

Mr. Candy: I would think, in thinking back over that, I would think ~~it~~ quite progressively, as time went along, ^{because} ~~that we~~ were talking about this thing all the time and I would ~~think~~ think that the information that I eventually gave to the other developers could have been relayed to Mr. Moog at various intervals, as we went along.

Mr. Shibley: Over what period of time?

Mr. Candy: Oh, I would think from the beginning of November. Some of the things, when he talked to me about the building itself, and ~~me~~ being interested in that building, would take us back as far as that August 25th meeting. I may have interested some comments then because one thing that made me more enthusiastic was that he was saying some of the things then that I had in my mind at the same time, and I think that I may have said, "Well, we need a million square feet in the new building," or something like that. I may have conveyed something like that to him. But I would think that by the time we got up to the time of putting in proposals that the information that was covered in that specification which I finally put out on February 9 ~~as a written type document. I would think that he had most of that information progressively....~~

(Tape H-411 follows)

June 13, 1973
10.15 - 10.20 a.m.
M.R.

(Mr. Candy)

→ as a written type document. I would think that he had most of that information progressively, you know, during that period.

Mr. Shibley: I take from your answers, Mr. Candy, that during the months of September, October and November what Canada Square were working on was a lease-purchase proposal referable to a building of new design?

Mr. Candy: I would say yes, that's right.

Mr. Shibley: So that to the extent that the general managers, in the latter part of November 22nd, were referring to Canada Square as the developer they had in mind, ~~would~~^{would} they know that what Canada Square was working up was a lease-purchase proposal based on a building of new design?

Mr. Candy: Would they know from me, you mean?

Mr. Shibley: Yes.

Mr. Candy: Whether they were doing it?

Mr. Shibley: Yes.

Mr. Candy: What were the dates? What dates are you talking about again?

Mr. Shibley: Well, just going back chronologically, by the 25th of August, Mr. Moog had told you he wasn't interested in doing a lease-purchase on the original designed building?

Mr. Candy: Yes.

Mr. Shibley: Then in September, October, November he was obviously working on a lease-purchase proposal and sketches et-cetera for a building of new design. Is that correct?

Mr. Candy: Yes.

June 13, 1973
10.15 - 10.20 a.m.
M.R.

Mr. Shibley: By the end of November, the general managers are talking about a developer who has expressed an interest, et cetera, et cetera, ~~and~~ their thinking, ^{as} reflected in the documents, is that if some ~~part~~ ^{part} of the original plans could be salvaged, he was the developer to do it. Is that correct?

Mr. Candy: Yes.

Mr. Shibley: And they would know that what Mr. Moog was intending was a lease-purchase on a building of new design, even though it might incorporate some of the original concepts?

Mr. Candy: This is in November?

Mr. Shibley: Yes.

Mr. Candy: Yes.

Mr. Shibley: And much of what turned out to be the ultimate specifications in written form, that were delivered to all of the developers in February, would be known to Mr. Moog and his organization when?

Mr. Candy: Oh, I would think at least by late in November, ~~maybe~~ I would think, say, by November 26th, but you see, the thing with these specifications — a lot of things in that specification are pretty normal to a developer.

The major things ^{as were} of course he knew the size of the site; he knew we wanted a million square feet. He was going ahead. He knew the special facilities that we wanted in the building. And I think by late in November he would have been pretty well conversant, you know, with what we wanted in the building. I think that's right.

Mr. Shibley: Now going back, Mr. Candy, you mentioned yesterday, or there was mention in one of your ~~memoranda~~ memoranda in June of 1971, that the financial people of Hydro were going to look at the matter. Do you remember that?

June 13, 1973
10.15 - 10.20 a.m.
M.R.

Mr. Candy: Yes.

Mr. Shibley: And I'd like to know whether you saw the memoranda which were prepared first by Mr. Cameron and then by Mr. Dean during the summer months of 1971?

Mr. Cameron, in Exhibit 14, did a report dated July 16th, 1971, reporting to Mr. Smith. Did you ever see that document?

Mr. Candy: No, sir.

Mr. Shibley: And then he did a →

Mr. Candy: I didn't know that existed until this inquiry.

Mr. Shibley: All right. Then he did a second report dated July 26th, 1971, being Exhibit 17.

Mr. Candy: Yes.

Mr. Shibley: Did you ever see that document?

Mr. Candy: No.

Mr. Shibley: Did you have any communication

with Mr.



June 13/73

10.20 to 10.25 am
DT~~Mr. Candy: Yes.~~~~Mr. Shibley: Did you ever see that document?~~~~Mr. Candy: No.~~

Mr. Shibley: Did you have any communication with Mr. Cameron in the interval between July 16 and July 26, 1971, referable to their financial analysis?

Mr. Candy: If Mr. Cameron was sitting right there, I wouldn't know him.

Mr. Shibley: All right.

Mr. Candy: We were going in ~~the~~ two directions. I was trying to get a building built and they were looking into that. I didn't even know they were doing it.

Mr. Shibley: Well, then, dealing with Mr. Dean next, he did a memorandum which is exhibit 18 and dated August 18, 1971. Did you ever see that memorandum before this inquiry?

Mr. McCallum: What was that exhibit number?

Mr. Shibley: 18, August 18, 1971.

Mr. Candy: No, I would say no. I never remember seeing that one.

Mr. Shibley: Would you then next look at exhibit 20 which is Mr. Dean's memorandum of October 21 to Mr. Sissons?

Mr. Candy: October 21?

Mr. Shibley: Yes. Did you ever see that document?

Mr. Candy: No, I would say not.

Mr. Shibley: Did you have any communication with Mr. Dean during the period August 18 to October 21, 1971, referable to his financial analysis? And I might tell you, Mr. Candy, to assist you, your diary reflects a meeting with John Dean on September 9. It was to have been at 9,30 in the morning and it appears it was moved along to 10 that day.

Mr. Candy: That's September 9?

Mr. Shibley: Yes.

Mr. Candy: I don't know, Mr. Shibley. I have no recollection of seeing these things. As I say, I am not trying

June 13/73
10.20 to 1025 am
DT

(Mr. Candy)

to pass it off, but I had a lot of other jobs beside this one, and whether I saw him or anything else, I don't know. I am not saying that's probable, I am just saying it's a possibility. I really have no recollection of discussing with him, unless he came to get some information from me about something. I have no recollection.

Mr. Shibley: Well, Mr. Candy, the only thing I am really interested in is whether you in any way influenced Mr. Dean respecting the content of his report of October 21, 1971?

Mr. Candy: Oh, absolutely not, absolutely not. They were off on a different direction to where I was going and I had no ~~part~~

Mr. Shibley: And you have no present recollection, ~~part~~

Mr. Candy: The only information that I knew about the OISE building was in my memorandum to Mr. Sissons that I wrote after we visited the OISE building.

Mr. Shibley: Yes.

Mr. Candy: And that was it. I gave some information in there that I got from Barry Brooks.

Mr. Shibley: Was Mr. Cameron one of the people that went with you on that visit?

Mr. Candy: No, no.

Mr. Shibley: He went on his own?

Mr. Candy: He apparently went on his own.

Mr. Shibley: I see.

Mr. Candy: There was only Mr. Sissons, Mr. Witbeck and myself at that meeting.

Mr. Shibley: All right. Now then, whatever else took place on September 9 between yourself and Mr. Dean I take it also from your earlier evidence that he never mentioned to you then that there was a consideration being given to the limit ~~on~~

(H-413 to follow)

June 13/73

10:25 - 10:30 am
C.B.

(Mr. Shibley)

~~the above information being false~~
on the borrowing that Hydro should effect, which was influencing their thinking.

Mr. Candy: No, I would say not because this wasn't in my area. This was the financial people entirely. They were the people who were going to decide how we were going to finance the building, not me; and I wasn't concerned with that ~~phase~~ phase of it at all.

Mr. Shibley: Do you ^{have} ~~have~~ any information as to whether Mr. Sissons had any communication with either Mr. Cameron or Mr. Dean referable to their financial analysis?

Mr. Candy: No, I don't.

Mr. Shibley: Did he ever mention to you during this period of time that these financial investigations were being conducted?

Mr. Candy: Not that I can recall, no.

Mr. Shibley: There was a meeting on October 22, I gather, Mr. Candy, at which you were in attendance with Mr. Sissons, Mr. Nastich, Mr. Witbeck and two people with the initials JJC and DM, who would they be?

Mr. Candy: Do you have a copy of that?

Mr. Shibley: There is no memorandum, I don't believe, referable to that meeting.

Mr. Candy: Where do you find these initials, Mr. Shibley?

Mr. Shibley: I believe they are in Mr. Sissons' diary. I'll check with that in a minute.

Mr. Candy: What are the initials again?

June 13/73
10:25-10:30am
C.B.

Mr. Shibley: JJC and DM, D as in Donald, M

~~Mr. Shibley:~~ ^{Sissons:} That was J.J. Carroll.

Mr. Shibley: Yes, that would be John Carroll.

~~Mr. Shibley:~~ ^{Sissons:} What was the other one?

Mr. Shibley: D.M. I've obtained this data from Mr. Sissons's diary.

Mr. Candy: That is Doug Manson. He is another one from ~~Witbeck's~~ Witbeck's branch.

Mr. Shibley: Right. What was that meeting about?

Mr. Candy: What was the date of the meeting?

Mr. Shibley: It was Friday, October 22, at 10 a.m. At 10 ~~he has~~ Magiar- Nastich, and at 10.45 ~~he has~~ JLW, MN, THC, JJC and DM.

Mr. Candy: Well with those kinds of people it was probably on space, because Doug Manson was the one working out a lot of graphs and things on space for people, as I recall it. I think ~~that~~ ^{those} would be the kind of people you are talking about there. I would think it would be on space requirement for staff and that type of thing.

Mr. Shibley: So perhaps Mr. Witbeck ~~he~~ can help us on that.

Mr. Candy: He may be able to, yes.

Mr. Shibley: Now then on October 26, exhibit 21, is a memorandum from Mr. Sissons to Mr. Dean, respecting which you've got a copy and I'm having it produced to you. I take it that from this document, Mr. Sissons got a copy of ~~the~~ report of Mr. Dean, dated October 21, exhibit 20, and he talks in this document, "If we are to proceed

June 13/73

10:25 - 10:30 am

C.B.

(Mr. Shibley)

on this basis we shall have to tie down a very realistic specification with which to approach the development market"and mentions "high priority attached to bringing our thinking to a conclusion."

I'm interested in the statement respecting "realistic specification." Did he discuss with you the laying down of specifications for proposals?

Mr. Candy: No.

Mr. Shibley: He did not?

Mr. Candy: No. It is only what is stated in the copy ~~we~~ have of this.

Mr. Shibley: Were you ever instructed to prepare such specifications, and if so, when?

H414 to follow

June 13/73
10:25-10:30am
C.B.

Mr. Shibley: JJC and DM, D as in Donald, M. ~~Sissons~~.

Mr. ~~Sissons~~ That was J.J. Carroll.

Mr. Shibley: Yes, that would be John Carroll. ~~Mr. Sissons~~.

Mr. ~~Sissons~~ What was the other one?

Mr. Shibley: D.M. I've obtained this data from Mr. Sissons's diary.

Mr. Candy: That is Doug Manson. ~~He~~ is another one from ~~the~~ Witbeck's branch.

Mr. Shibley: Right. What was that meeting about?

Mr. Candy: What was the date of the meeting?

Mr. Shibley: It was ~~Friday~~ ^{Friday}, October 22, at 10 a.m. At 10 ~~was~~ ^{he has} Maglar- Nastich, and at 10.45 ~~was~~ ^{he has} JLW, MN, THC, JJC and DM.

Mr. Candy: Well with those kinds of people it was probably on space, ~~because~~ ^{because} Doug Manson was the one working out a lot of graphs and things on space for people, as I recall it. I think ~~that~~ ^{those} would be the kind of people you are talking about there. I would think it would be on space requirement for staff and that type of thing.

Mr. Shibley: So perhaps Mr. Witbeck ~~is~~ can help us on that.

Mr. Candy: He may be able to, yes.

Mr. Shibley: Now then on October 26, exhibit 21, is a memorandum from Mr. Sissons to Mr. Dean, respecting which you've got a copy and I'm having it produced to you. I take it that from this document, Mr. Sissons got a copy of ~~the~~ ^{his} report of Mr. Dean, dated October 21, exhibit 20, ~~and~~ ^{and} he talks in this document, "If we are to proceed

June 13/73

10:25 - 10:30 am

C.B.


(Mr. Shibley)

on this basis we shall have to tie down a very realistic specification with which to approach the development market"and mentions "high priority attached to bringing our thinking to a conclusion."

I'm interested in the statement respecting "realistic specification." Did he discuss with you the laying down of specifications for proposals?

Mr. Candy: No.

Mr. Shibley: He did not?

Mr. Candy: No. It is only what is stated in the copy  have of this.

Mr. Shibley: Were you ever instructed to prepare such specifications, and if so, when?

H414 to follow

June 13, 1973
10.30 - 10.35 a.m.
M.R.

(Mr. Shibley)

~~_____~~
Mr. Candy: There are some. I know there are references in the documents of places that I've seen where people have suggested this. I don't think when we came to inviting other developers - these developers - the thing kind of escalated, you know, fairly quickly in that area~~ok~~.

Mr. Shibley: It wasn't until the other developers entered the scene that you were laying down the specification?

Mr. Candy: No. I don't think so. ~~_____~~
~~_____~~ It was in my own head; I was aware of what we wanted and I think, you know, I relayed this to the developers verbally as it is shown in the documents which is quite correct, and I thought that I had given them sufficient information ^{with} which to put in a proposal.

Mr. Shibley: I ask that you be shown ~~a~~ Exhibit 23 which is dated November 2nd, and again at the third page of that document in the top paragraph you notice it talks of a negotiated partnership and so on.

"Our plan of attack is to endeavour within the next month to bring to a conclusion our assessment of the type of arrangement achieved by OISE ^{and} based on our examinations ^{of that to attempt} to write a specification with broad but very clear ~~parameters~~ ^{parameters} as to the type of building and the type of contract we are looking for. ^{With this}

~~We~~ ^{we} would ~~we~~ then approach the market on a highly ~~selective~~ ^{selective} basis ^{ie.} inviting only those ^{relatively} few ~~the~~ strong and competent developers who could demonstrate to us that they could provide, and in fact had some record of providing successfully, all ^{of} the elements of such a contract".

I take it, Mr. Candy ^{and} you've got a copy of this I notice ~~_____~~

Mr. Candy: Yes.

June 13, 1973
10.30 - 10.35 a.m.
M.R.

Mr. Shibley: I take it that as at November 2nd the decision was taken to do a lease-purchase type transaction, to write specifications for it and to approach the development market on a selective basis.

Mr. Candy: Well, that's what it says in that memorandum ^{and} ~~when~~ I'm assuming that —

Mr. Shibley: Well that was the consensus formulated as early as November 2nd?

Mr. Candy: Yes. This was about the time of our meeting with Banks, you know. And —

Mr. Shibley: And really ~~the recommendations that were~~ those recommendations that were part of the general managers' meeting of November 22nd were made within the month's deadline laid down in this memorandum by Mr. Sissons.

You notice he says "within the next month," ^{he was} working towards that end, in the same paragraph I just read to you.

Do you see that, Mr. Candy?

Mr. Candy: You are talking about page three?

~~the top paragraph?~~ the top paragraph?

Mr. Shibley: Yes.

Mr. Candy: Page 3 where it says: "Our plan of attack is to endeavour within the next month..."

Mr. Shibley: Right.

Mr. Candy: "to bring a conclusion our assessment of the type of arrangement —"

Mr. Shibley: Yes.

Mr. Candy: "...achieved by OISE ^{and} based on our examinations ^{of that} to attempt to write a specification of broad but very clear parameters as to the type of building and the type of contract we are looking for."

Mr. Bullbrook: What was your question again, Mr. Shibley?

Mr. Shibley: Well, I want to know whether as at


June 13, 1973
10.30 - 10.35 a.m.
M.R.

(Mr. Shibley)

November 2nd they had decided to do ^{the} ~~a~~ lease-purchase and within the next month to draw specifications for the purpose of approaching a selected number of developers? Wasn't that the intent as at November 2nd?

Mr. Candy: ~~wasn't that~~ In that memorandum it certainly appears that way.

Mr. Shibley: Yes. Well, what I want to know, is what happened between November 2nd and November 22nd to alter the thinking of the people who were involved in the decision-making process?

^{have}
I ~~had~~ in mind, Mr. Candy, on the 2nd Mr. Sissons is talking about approaching 

H-415 to follow

H-415-1

(Mr. Shibley)

I have in mind, Mr. Candy, on the 2nd, Mr. ~~Sissons is talking about~~
~~approaching~~ a relatively few strong and competent developers. On
November 22 and November 25, you people are talking about going
with Canada Square, ^{without} ~~without~~ the need for soliciting competitive
tenders. What took place in the interval to change the thinking?

Mr. Candy: I guess the thing that took place in the
interval was the November 22 meeting, as far as I can see. I don't
know of any other circumstance in there that would change it. I
was still carrying on with Canada Square, and I don't know of any
special situation.

Mr. Shibley: Mr. Candy, exhibit 49, dated September 1⁶
1971, indicates that there was a meeting with Mr. Zwig of Horizon
on that date.

Mr. Candy: Yes.

Mr. Shibley: And he was expressing an interest in doing
the project for you, as early as that date?

Mr. Candy: Yes.

Mr. Shibley: Was there any follow-through with the
Horizon organization prior to November 25, 1971?

Mr. Candy: There is another portion of this. The piece
that Mr. Sissons had on top of this memorandum which is, I think,
now on a separate piece of paper ^{where} ~~where~~ Mr. Sissons wrote me a note,
and sent me either the original or a copy of this letter indicating.

Mr. Shibley: I can't hardly hear you, Mr. Candy.

Mr. Candy: Sorry. Where Mr. Sissons sent me a copy of
this letter with a note on top indicating that they should be
included at the time. And the contact

Mr. McCallum: ~~Mr. Shibley~~ Have you got the original of that letter,
Mr. Shibley, this September 16th?

Mr. Shibley: No, you would have the original in your
possession.

Mr. McCallum: I think I can show the witness what he is
referring to if it will help you. I think he is referring to this.
Is that not the sort of thing you are referring to?

H-415-2.

Mr. Candy: No, no. That is another one, but there was a piece on top of it.

Mr. Chairman: You are not referring to exhibit 50?

Mr. McCallum: No, he is saying now, he's not. I've showed the witness exhibit 50 and he thinks that is not the one. He seems to have a memory of something being attached to another letter, sir; we are going to try and find it.

Mr. Candy: In the original letter there was a piece attached on here. But I saw in the exhibits that that had been printed on a separate sheet where Mr. Sissons advised me that the people should be included when we had

Mr. Deans: Wasn't that simply when we had someone try to decipher the writing at the top of the letter?

Mr. McCallum: Just to take it for a moment, Mr. Shibley if I can just ask, read the last sentence of exhibit 50 and see if that is what you are thinking about.

Mr. Bullbrook: Typed or written?

Mr. McCallum: Typed.

Mr. Candy: That's right. That's typed down there.

Mr. McCallum: I think perhaps that is what you are thinking about, is it not?

Mr. Chairman: "Horizon will obviously be one of the organizations from whom we should solicit a proposal."

Is that what are you looking for?

XXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

Mr. Candy: That's right. That was that. And my recollection of that is that that was an attachment to that letter when I got it.

Mr. Shibley: That's right. It was a letter to Mr. Sissons of September 16, 1971, and then he memoed yourself and Mr. Witbeck on September 22, 1971, just as you have read.

Mr. Candy: Yes.

Mr. Shibley: What I want to know is, why wasn't there follow-up with Horizon as per Mr. Sissons' earlier thinking in September of 1971, in November of that year when you were embarked on this course?

10:35 - 10:40 am
CA

H-415-³~~5~~

Mr. Candy: When I got this, what I did with this, I retained it, and realized that when we got to that course, ~~that is~~

~~that is, we got into that...~~

H0416-1 follows

H-416 - 1

(Mr. Candy)

~~... realized that when we got to that course that, you know, he~~
~~would be~~ if we got into that course, he would be one of the
people, and Mr. Sissons on ~~December 14~~ December 14

Mr. Shibley: Well, before you go on

Mr. Candy: All right, sorry.

Mr. Shibley: We are not interested in ~~that~~ after
November 26

Mr. Candy: Oh, okay.

Mr. Shibley: I am asking you about the period
up to November 26 in light of the earlier communication
from Horizon, which is exhibit 49, dated September 16, and a
memo of September 22, 1971, which is exhibit 50, wherein Mr.
Sissons says, "Horizon will obviously be one of the organization
from whom we should solicit a proposal."

And bearing in mind on November 2, ^{on} that day, Mr.
Sissons was saying, we should draw specifications of broad
parameters and approach ~~selected~~ ^a selected few developers with
strong reputations, and so on, why wasn't there a reference
back to this earlier communication with Horizon, and why didn't
you follow through with ~~them~~ ^{them} as one of the strong developer
that might be approached within the month of November to see
what kind of a deal they might make with you?

Mr. Candy: I can't really give you an answer to
that. I retained that in the file and then when we came to
the point where we ~~decided~~ ^{had} made a decision to get competitive
~~tenders~~ tenders, then these were one of the people we contacted.

Mr. Shibley: Well, in fact, you didn't contact
Horizon until January ~~19~~ of 1972. Isn't that so?

Mr. Candy: Oh no, no, no.

Mr. Shibley: When did you first contact them?

Mr. Candy: IN ~~1~~ December.

Mr. Shibley: December.

Mr. Candy: John Dean and I had a meeting and
Mr. Deans: December ~~1971~~ 1971.

MR. SHIBLEY: I'm sorry; you're right.

Mr. Candy: In December.

H-416 - 2

Mr. Shibley: Yes, Dec^ember 21 —

Mr. Candy: Yes, we had t~~h~~o - December 21, and then

I ~~w~~ went down ~~and~~

Mr. Shibley: — And January 7.

Mr. Candy: ~~and~~ to see Horizon in January.

Mr. Shibley: Yes, I beg your pardon. You're quite right.

But you didn't get around to it until December 21, and I am interested in knowing why during the period November, 1971, particularly in light of the memorandum of November 2, why Horizon was not approached during that month?

Mr. Candy: I don't know whether it was because ~~the~~ ^{of} Y and R's Eaton proposal, whether that was appearing interesting at that time or not, why this was not done at that time. I can see your point all right, but I just ~~and~~

Mr. Shibley: The Y and R proposal, didn't that come in December also?

Mr. Candy: No, the first ~~and~~

Mr. Shibley: Wasn't there discussion on that?

Mr. Candy: ~~No~~, no, the first approach, I think, was about November 12.

Mr. Shibley: I see.

Mr. Candy: Don't I have a meeting there with Mr. ~~and~~ Sissons on the Eaton thing on November 12?

Mr. Shibley: I am sorry, you're right. November 11.

Mr. Candy: November 11.

Mr. Shibley: Yes.

Mr. Candy: And that's when we knew about that thing, ~~and~~ I don't know whether we had been thinking of, you know, Y and R and the possibility of ~~and~~

Mr. Shibley: Well, let's just deal with the Y and R thing then; notwithstanding you had a meeting on November 11, respecting the Y and R proposal for, I think they call it Centre Park, or Park Centre.

Mr. Candy: Yes, Park Centre, yes.

H-416 - 3

Mr. Shibley: Again there was not follow-through on that. As ~~at~~ at November 22 that was being ignored.

Mr. Candy: Well, that actually, I think, as I recall was mentioned on the 22nd, but because it was a very confidential thing which Y and R would not want disclosed, ~~that~~ it was not put into those minutes. I think that that at the time of the November 22 meeting ~~that~~^{was} discussed. Now, I am not ~~not~~

Mr. Bullbrook: I think that was the evidence of Mr. Sissons, as I recall.

Mr. Shibley: And then, similarly, exhibit 47, September 9, 1971, evidence ~~that~~ Cadillac Commercial Properties' interest in doing this job for you, as early as that date, ~~and~~

Mr. Candy: Yes.

Mr. Shibley: ~~and~~ and neither were they ~~not~~ pursued during the period immediately preceding the decision of November 22, ~~where~~ were they?

Mr. Candy: NO, I think they were late in November or early in December sometime around there. But they had been talking to us, of course, about leasing a building which is really what they wanted to do. ~~They wanted to build a building on Bay Street.~~

(Tape H-417 - 1 follows)

June 13th, 1973

10.45 - 10.50 am

H 417 - 1

A

(Mr. Candy)

~~which is really what they wanted to do.~~ They wanted to build a building on Bay Street and lease it to us, and I think that's probably why we didn't get together any further at that point with Cadillac.

Mr. Shibley: I would like to deal with these other developers for a moment with you, Mr. Candy - Exhibit 48 dated December 10th, 1971, references a meeting with the Cadillac organization. ~~and~~ This was, I gather, one of a series of meetings held with various developers during the months of December and January of the following year?

Mr. Candy: That is correct.

Mr. Shibley: And we note that your comments, really, are ~~in~~ the second paragraph: "Mr. Diamond seemed more interested in providing rental space to the Commission, but displayed some interest in putting in a proposal on a lease-purchase arrangement." Is it fair to say that they did not appear to you to be ~~enthusiastic~~ enthusiastic about the lease-purchase type ~~of~~ transaction?

Mr. Candy: When we got through with that luncheon I was convinced myself, pretty well, that ~~that~~ they were not interested in it.

Mr. Shibley: So they ~~were~~ were out of the —

Mr. Candy: He was going to send Mr. Daniels in to see me and he never did. They never followed up and I was pretty convinced they were not interested.

Mr. Shibley: All right. So that Cadillac were never in serious contention for this type project?

Mr. Candy: No. No. They owned that property, as I understand it, on Bay Street and that's what they wanted to do — ~~was~~ to build and rent it to us.

June 13th, 1973

10.45 - 10.50 am

H 417 - 2

AA

(Mr. Shibley)

Mr. Shibley: Then, following through with the Zwig organization

Mr. W. Newman: Mr. Chairman, may I through you; the comment was passed ~~that~~ ^(that) they had space to rent, is that one of the reasons they came to ~~see~~ ^{see} Mr. Candy?

Mr. Candy: No, they didn't have the building built, but they owned the site and they wanted to build the buildings. We were already at 77 Bay Street. They owned the site immediately south of that on the west side of Bay. Now what they really wanted to do was to put up another building on Bay Street and rent that to us so we would get ~~together~~ together in the one place.

Mr. Deans: ~~You are going back~~ ^{are going} back to Horizon, eh?

Mr. Candy: Yes.

Mr. Shibley: Returning to Horizont, after the initial communications of September, 1971, the next follow-up was on December 21 as indicated by exhibit 51? Is that correct?

Mr. Candy: Yes.

Mr. Shibley: And on that date it appears that Mr. ~~Zwig~~ ^{and} Mr. Dean met in your office, ~~and~~ ^{he} gave you indications as to the source and cost of funds, ~~and~~ their willingness to work with Adamson and that he was going to submit a proposal by January 15th?

Mr. Candy: Yes.

Mr. Shibley: Then would you please explain to this committee what you meant by the last paragraph of that exhibit?

Mr. Candy: "Any escalation in ~~his~~ price will apply to labour ~~of~~ ^{and} maintenance only and will not affect the capital cost structure over the life of the ~~agreement~~ agreement." All I was trying

June 13th, 1973

10.45 - 10.50 am

H 417 - 3

AA

(Mr. Candy)

to say there I think is ~~that~~

Mr. Chairman: Would you speak up, please?

Mr. Candy: I am sorry. All I was trying to say there was that the escalation would apply to labour on maintenance of the building, really. This is a thing, of course, which is normal to any building, ~~that~~ any rental proposition ~~has~~ anywhere.

Mr. Deans: ^{It applies} ~~That points~~ to everything.

Mr. Candy: Pardon?

Mr. Deans: Is that different from anyone else's approach?

I ~~thought~~ understood that that applied ~~was~~ also to Canada Square?

Mr. Candy: Well, there is a point of confliction in there. ~~in~~ In Horizon's final proposal, which I didn't realize until very much later—and I am not sure yet whether it is really a factor—was the fact that he based his cost on 1971 costs and said that they would be escalated. The rest of them, we assumed, that it was all ~~based~~ ^{the} based on a completed building in 1975.

Mr. Shibley: I would like to produce to you exhibit 52, which is dated January 17th, 1972, which is Horizon's proposal.

Mr. Candy: Yes.

~~Mr. Shibley / Mr. Chairman: Mr. Shibley, I wonder if it would be helpful to the committee if I brought to your attention~~

H 418 - 1 follows

June 13, 1973
10.50-10.55 a.m.
M.F.

H - 418 - 1

Chairman: Mr. MacBeth

Mr. McCallum: Mr. Shibley, I wonder if it would be helpful to the committee if I brought to your attention the following sequence of events with Horizon, something that we discussed last night, and the witness ~~has~~ has touched on it this morning, and this is a written memorandum, on exhibit number 50. It hasn't been gone into, and I just wondered if you wanted to refer to that. ^{Yes} notice that there is in hand-writing on exhibit number 50 a written statement, dated December 14th, 1971, which appears to read on my copy:-

"KHC" - which I guess is Ken Candy - "and John Dean will arrange ^{to} ~~the~~ discussion. I will call when they ^{are} ~~are~~ ready, December 14, 1971".

Mr. Shibley: Yes, thank you, Mr. McCallum.

Mr. McCallum: The witness has referred to that. I am told that that was Mr. Sissons, and that was a record he made on that letter of a communication he made to Zwig on that date, to advise him with respect to ^{the need to} ~~have~~ calling him on the proposal.

That probably would be the first one then.

Mr. Shibley: Thank you, Mr. McCallum, So I take it that on or about December 14, 1971, the communications with Horizon were renewed? Is that correct?

Mr. Candy: On what date, Mr. Shibley?

Mr. Shibley: On or about December 14, 1971.

Mr. Candy: Yes, I would say so.

Mr. Shibley: Then there was a meeting on December 21, 1971, and I ^{have} ~~would~~ ask you about the escalation clause, and I now produce to you the next document in the sequence of dealings with Horizon, which is exhibit 52, dated January 17, And it starts off:-

"Further to our recent meetings with Mr. Dean and Yourself, and our brief examination of the plans prepared by Shore ^{and} Moffatt and Partners for a building on your site";

H - 418 - 2

(Mr. Shibley)

and just stopping there for a moment, what are the meetings to ~~which~~ which ~~he~~ makes reference? He says "recent meetings"; are those meetings within the month of December?

Mr. Candy: There ~~was~~ ^{were} two meetings. ~~One was~~ One was on December 21st and the other was in January when Mr. Deane and I went down to their office, and that was the time when he ~~told~~ showed me the sketches they had prepared.

Mr. Shibley: I see.

Mr. Candy: For this building; and that was the time when I went over with them and looked at the Prudential Life and the National Trust, which is the building in which they have their own office.

Mr. Shibley: Yes. The note also makes reference to a brief examination of a plans prepared by Shore and Moffat. Were these the same plans that you had previously provided to Mr. Moog?

Mr. Candy: Yes, that is right, the same set.

Mr. Shibley: The same set.

Mr. Candy: I might say there that ~~Mr. Zwig~~ Mr. Zwig came in with an estimator in January and spent about an hour or more in one of our conference rooms going over those drawings. They were available to everybody, they were in my office on the table I have there, and my understanding certainly was that everybody saw them and they were available to anybody that had them.

Mr. Shibley: Mr. Candy, did you also show their estimator the breakout of costs by Hanscomb Roy?

Mr. Candy: I would say that I did, because I didn't deny that to anybody.

Mr. Shibley: Yes; all right.

Mr. Bullbrook: Excuse me, I am confused. Are the

H - 418 - 3

(Mr. Bullbrook)

plans we are talking about the plans for the original building?

Mr. Shibley: Yes.

Mr. Bullbrook: Had we not come to a conclusion?

Did the evidence not show that they had abandoned the plans?

Mr. Shibley: They had abandoned them, but ---

Mr. Bullbrook: As of this date?

Mr. Shibley: Yes, that is right.

Mr. Bullbrook: Would you pursue, or is it your intention to pursue with the witness?

Mr. Shibley: No, I think, Mr. Bullbrook, I will ask *the witness* ~~it~~ it in these terms. These plans were being shown to the various developers who were to submit proposals for what they were worth. Is that the sense of it, Mr. Candy?

Mr. Candy: That is correct. *Mr. Shibley:* For whatever assistance they might derive from them, But they were not intended to indicate to developers that they were to submit a proposal based upon those plans.

Candy
Mr. Candy: Ohno, definitely not.

Mr. Shibley: It was a new building and they knew it.

Mr. Candy: It was a new building and they knew it.

Mr. Renwick: Well, maybe we could clear up the same confusion that I have. I take it that yesterday, when Mr. Candy was referring to the abandonment of the plans and that the plans couldn't be salvaged, you were speaking about the design content of the plans?

Mr. Candy: Yes, when I said they couldn't be salvaged, you can't do a scissor job on a set of plans.

Mr. Renwick: ~~But~~ From a design point of view?

Tape H - 419 follows

June 13, 1973
10.55-11.00a.m.
B.A.

H-419-1

CHAIRMAN : MR. MACBETH

~~Mr. Renwick: But how could design be taken~~

Mr. Candy: Yes.

Mr. Renwick: I take it that this morning you also made a further distinction that they were of some assistance with respect to lay-out and would be ~~be~~ of some assistance ^{and} with respect to special areas, special requirements that you might want to abstract from them.

Mr. Candy: That's right, like the tunnel, the subway entrance and the unloading facilities, the loading dock and this type of thing, and an auditorium. There were certain things in there which we wanted incorporated in the next building.

Mr. Deans: Mr. Candy, were there also specifications that went with the original plans?

Mr. Candy: There were, but I never did get them on a plan.

Mr. Deans: No one saw them?

Mr. Candy: No one saw them.

Mr. Deans: How do they differ from ~~the original plans~~ the new specifications?

Mr. Candy: What do you mean by new specifications?

Mr. Deans: How do the specifications for the old building, ~~for~~ the general specs for the old building, differ from the specs which were given out on February 9th?

Mr. Candy: Well, the specs of the old building, of course, are a volume about that thick.

Mr. Deans: No, I am saying the general specs. Not the specific specifications.

Mr. Candy: How do they differ? Not too much generally. What I was putting out was the sort of general requirements, first the building was bigger, I said we wanted a million ~~xxxxx~~ square

June 13, 1973
10.55-12.00a.m.
B.A.

(Mr. Candy)

feet ~~at~~ above grade, and then I left it up to them as to the commercial area and this type of thing. I outlined the air-conditioning. We gave them the size of the site we saw and told them it was C.1 ⁸⁴ ~~before~~ zoning, and this type of thing and I felt that I had given them, as developers, ~~and~~ enough information that they needed to do this, and nobody at that time complained that this was not enough information.

Mr. Deans: I am not suggesting that it wasn't. I am just curious to know whether the general specifications were available at the same time as the plans.

Mr. Candy: No, no, I would say not. I didn't have them on a file at all. They weren't there.

Mr. Chairman: Mr. Candy, it is five to 11, do you wish a break or are you content to go through until 12?

Mr. Candy: Let's have a five-minute break, eh?

Mr. Renwick: Just before that, just to lay to rest the legality question that you raised, that is, ~~that~~ the title to those plans, ~~were~~ Who owned them?

Mr. Candy: Who owned the plans? Do you mean the original ones?

Mr. Renwick: Yes, the original plans.

Mr. Candy: That is the property of the architects.

Mr. Renwick: The property of the architects?

Mr. Candy: Yes. And we bought them and paid for them, We had the right, for instance, to put them out for tender and build that ~~building~~ building, but you can't take those plans and rehash them around, and I think, whereas Mr. Bullbrook suggested yesterday that it was a question of semantics ^{in that} ~~on that~~, but it is really a question of re-using facilities that we had already worked out before and determined would be required in the new building. We would ~~be~~ be up in court ⁱⁿ ~~for~~ 20 minutes if we tried to re-hash those things and gave them to somebody.

Mr. Renwick: I understand. For my purposes, am I correct

June 13, 1973
10.55-11.00a.m.
B.A.

(Mr. Renwick:

now in assuming that the plans have some value with respect to lay-out and facilities that you need, but that they have no particular value and were abandoned, in your sense, so far as the design content was concerned.^N

Mr. Candy: Do you mean the overall design content, that we had given up the idea of building that at all?

Mr. Renwick: Yes.

Mr. Candy: Yes, that is correct. They had some value in looking at it on the basis of the quality of that building.

Mr. Renwick: The quality of the building and the lay-out, and special features that you might require, such as the auditorium and other matters that you have ~~referred~~ referred to. So it would be a convenience for a developer to look at them with a background of expert knowledge, it would be a convenient, shorthand way of him getting some immediate grasp^A of the kind of facilities that you would need in your building.^N

Mr. Candy: That's right.

The committee took recess for ten minutes.

(Tape H-420 follows)

June 13/73
11.11 to 11.15 am
DT

(Mr. Chairman): Mr. McCallum,

when you are speaking, if you decide to, would you come forward or get to a microphone so that the Hansard people can hear your voice. You ^{don't} have a gentle voice but it can't be heard on the Hansard so if you intend to interject, by the time you get up to the microphone, there will be no need for you to interject.

Mr. McCallum: Mr. Chairman, about it being recorded, then I want to take issue with you. I really have a gentle voice. I have been speaking so loud in order to be heard, by Hansard.

Mr. Chairman: All right. Well, they are not hearing you so if you will come forward.

Mr. McCallum: Thank you, very much.

Mr. R. G. Hodgson: Mr. Chairman, could we not just provide an extra microphone?

Mr. Allan: Couldn't they provide an extra microphone?

Mr. Chairman: Well, we don't want to encourage him, Mr. Allan.

Mr. McCallum: I promise not to abuse the privilege but it would be very helpful.

Mr. Renwick: I think, Mr. Chairman, one of the larger mikes would be much more helpful to a witness such as Mr. Candy as well, because we are having trouble hearing.

Mr. Chairman: Having trouble here?

Mr. Renwick: Yes.

Mr. Chairman: Can you do that as we proceed or do you have to have us stop for it?

Mr. Chairman: Take the one away from Mr. Bullbrook.

Mr. Renwick: He would be quite happy to have mine.

Mr. Bullbrook: I don't particularly like this arrangement.


Mr. Chairman: You have got a politician's voice, Mr. Bullbrook, they won't have any trouble with you.

Mr. Chairman: Well, now I officially call the meeting back to order and pass it over to Mr. Shibley.

June 13/73
11.11 to 11.15 am
DT

Mr. Shibley: Mr. Candy, we have started on the review of Horizon's proposal which was exhibit 52, January 17, so that I take it from the content of this, you showed them the plan^s, what specifications did you provide them with in order that they might present a proposal to Hydro?

Mr. Candy: Well, at that point, as I think we have brought out before, with all these people I mentioned ~~the~~ I gave them ~~the~~ verbal information which....



(H-421 to follow)

June 13/73

11:15-11:20 am
C.B.

(Mr. Candy)

~~at that point, as I think we'd read it before with~~
~~all these people I mentioned I gave them the verbal~~
~~information which~~ I had of the requirements that we
wanted in the building. Now if you would like to —
~~things~~ the things that I think, for instance, have
you got a copy of this spec, the one of February 9,
Mr. Shibley?

Mr. Shibley: Yes, that is the one that was
exhibited yesterday.

Mr. Candy: Yes.

Mr. Chairman: I think it was exhibit 149.

Mr. Candy: I think that in the proposals
that were put in, many of these things that I have
here are reflected in their proposals, and some of
the things, of course, do not influence the cost of the
building really. So that I felt that I was talking to
experienced developers, who were experienced with
buildings and who knew for instance, all you've got to
tell a building ~~is~~ ^{is} a developer, you know you want the
building double glazed, period, and you know it is either
double or single glazed, and that's the kind of thing
that you are after.

Mr. Chairman: 152, I guess, would be better on
that, is that right?

Mr. Candy: You see, in the first part, you
~~see~~ where we say "the site conditions, located at the
southwest corner of University and College Street,
consisting of 2.418 ^{acres} square foot." They all knew
where the site was. They had seen — the drawings that

June 13/73
11:15-11:20 am

C.B.

Mr. Candy

we had shown them had a site plan on it, which ~~it~~ showed where the site was and the size of the site. We told them that the value of the property was about \$7 million; that we owned the site. ~~This is the only thing~~ ^{The 3rd thing,} we told them, ~~which~~ was designed for 12 times coverage. The depth of rock below grade; I'm sure I told them that. This has a bearing on the foundations, the caissons, for a building of that type; and the water table.

The 50 tons per square foot; I'm pretty sure I told them that, because this was something that we had made tests on, and I think that I would be fairly certain that I told them that one. The Bank of Montreal building, of course, which was sitting on the site, was removed at the bank's expense. Now whether I told them that or not is not really a significant item. ~~There~~ ^{They} were ~~on~~ there on a lease from us, and in the lease the bank had to remove the bank when this thing was finished.

~~At~~ The height of the building ~~there~~ is 230 to 240 feet; I think I told them that. I told them we wanted a million square feet of office space, ~~the wanted~~ above ground and about 15,000 square feet of executive offices, which I think is very well reflected in ~~the~~ most of these proposals. Indoor parking for 12 cars. Indoor loading dock; mail sorting room for Lamson conveyor; 16 high speed elevators, a class A vault, and ^a 44 by 30 corridor around the outside.

I told them we didn't want any computers, because we had moved the computer space. I told ^{them} that

June 13/73

11:55- 11:20 am

C.B.

(Mr. Candy)

we wanted an underground tunnel to the engineering building, and that we had to have a subway connection to the TTC. ^{Five} ~~Five~~ storage rooms in the basement for dead files consisting of 3,000 square feet with humidity control and fire protection. Now that's an item I think I told them, I have a note; here is a thing I found, for instance, in my diary, where Mr. Tatham had been told. This reads "the following ¹⁵ information ~~has been~~ given to Mr. Tatham re new head office ~~of the~~ ²² admin. building", This was on January 11.

"14 plumbing fixtures, and seven washrooms for medical suites; ~~two~~ executive offices and board room, 14,00 square feet; Storage room for dead files 4,000 square feet". That is just something I found the other day. That is dated January 11, 1972.

~~We asked them for the basement space, the 16 high speed elevators, class 4 ~~and~~ no computers...~~

H422 to follow

June 13, 1973
11.20 - 11.25 a.m.
M.R.

(Mr. Candy)

→ We asked them for the Lamson conveyor, the sixteen high speed elevators, a Class A vault, no computer space, direct access to the subway, the medical suite for ^{several} seven ~~one~~ two-piece washroom, which is part of that, ^{now} now that really doesn't affect the cost very much one way or the other.

These were examining rooms, you know, for doctors. That was on the plans that we already had where they could see them. Structure design ^{ed} for 150-pounds point floor loading and that's mentioned in their proposals. There's a mention of that. All that means is that if you are going to load a floor and you design the whole thing for 150 pounds that's a very heavy structure. What I mean by point floor loading is if you take a ~~px~~ panel between these four columns that you can put 150 pounds a square foot at some point on that floor.

But you don't need to design all the girders and columns to take it or you are wasting a lot of steel. You may design the girders for, say, 100 pounds, you know, and your columns for 100 pounds, but your main slab will be for 150 because it gets distributed to those beams and that's really what that is. It's an economic thing in the way of designing structural buildings.

For instance, the building code will say 150 pounds on the ground floor and 75 pounds above the ground floor, ~~and~~ This is a thing we ran into in the 620 building with computers, that when we started to move in the memory drums and this type of thing we had to be darn sure we were right over the top of the beams or we would be right through the floor, you know, because it wasn't designed for that kind of loading.

Mr. Shibley: Mr. Candy, I'm wondering whether we mightn't shorten this a little bit.

Mr. Candy: All right. Sorry.

June 13, 1973
11.20 - 11.25 a.m.
M.R.

Mr. Shibley: I'm taking it as a fact that substantially what are in the paragraph-style requirements was communicated verbally to each of the four developers before they submitted and for the purpose of enabling them to submit a proposal. Is that correct?

Mr. Candy: Yes. There are things on Page 3, for instance, the meeting room on the ground floor and the rentable commercial area.

Mr. Shibley: Yes.

Mr. Candy: The other things are pretty normal to that.

Mr. Shibley: Right.

Mr. Candy: And —

Mr. Shibley: This was pointed up that you wanted rentable commercial area and so on.

Mr. Candy: That's right.

Mr. Shibley: And all that is ^{through that} ~~printed up in~~ specification. On Page 4, electrical - a 600-volt system is mentioned.

Mr. Candy: Yes.

Mr. Shibley: No under floor duct system, ~~xxxxxx~~ and so on, and I notice under 3(f) "lighting of all offices to provide lighting intensity at desk level of 150 foot candles installed."

Mr. Candy: That's right.

Mr. Shibley: Yes. Just dealing with the electrical for a moment. The agreement that was ultimately entered into with Canada Square —

Mr. Candy: Is 100 foot candles.

Mr. Shibley: Is 100 foot candles.

Mr. Candy: That's right.

Mr. Shibley: — At desk level. Is it not?

Mr. Candy: That's right.

Mr. Shibley: And the lighting system prescribed is a 416-volt system.

June 13, 1973
11.20 - 11.25 a.m.
M.R.

Mr. Candy: Yes.

Mr. Shibley: Would those changes not materially affect the cost^{ing} ~~down~~?

Mr. Candy: Materially affect the costing?

Mr. Shibley: Yes.

Mr. Candy: No. What we're trying to do - the reason we went down to a 100 ~~pages~~^{was}, of course, because of the further tests that we conducted at 77 Bloor in which we felt we were - you know, we got from - we got into the conservation of energy aspect of this thing, and in that building subsequent to that we have included a million and a half gallon water storage tank under the basement floor,

which is another conservation of energy in that building. Now the IES standards, which is the ^{Illuminating} ~~eliminating~~ Engineering Society standards, were going for some years up and up and up on the lighting levels that you should provide. And of course the higher you go with these, the more refrigeration you've got to put into a building.

So you get to the point where then you start to use that light for heat. You know, you start to - if you ~~a~~ can't beat them, join them, kind of thing. ~~And~~ But we got to ~~the~~ 150 foot candles ~~and~~ at the time we put this out was what we felt ^{that} we dropped down from 200 to 150.

Now the 416 against the 600. We had a lot of arguments with —

Mr. Shibley: Well before you leave the lights so far.

Mr. Candy: Sorry.

Mr. Shibley: Did you not drop down further from 150 to 100 —

Mr. Candy: That's right.

Mr. Shibley: — By the time you made your agreement with Canada Square?

Mr. Candy: Yes, that is correct.

June 13, 1973
11.20 - 11.25 a.m.
M.R.

Mr. Shibley: And 100 would be the standard among commercial buildings generally, would it not be?

Mr. Candy: Basically - there are a lot of factors that that depends on, as to whether, you know, whether you are really getting 100 or not.

Shibley:

Mr. ~~Shibley~~ Yes.

Mr. Candy: And this 100 maintained means that you have got ^{to} a design for about 120 - 125 initially, because lights deteriorate, you know, ~~and they drop down so we want~~
~~100 maintained~~

H-423 to follow

June 13th, 1973

11.25 - 11.30 am

H 423 - 1

AA

(Mr. Candy)

~~about 120 - 125 initially because lights deteriorate you know~~
and they drop down so we want a hundred maintained.

Mr. Shibley: All right what about the 600 volt system being reduced to 416?

Mr. Candy: Well in the initial building, we had specified 600 volt. We had a lot of arguments with Toronto Hydro. This means that you buy power at 13 $\frac{1}{2}$ 8 and you do your own transformation ~~at~~ within the building.

Mr. Deans: What? What was that again?

Mr. Candy: 13 $\frac{1}{2}$ 8 kilov^{volts}~~amps~~. You buy the power ~~at~~ - your primary, from Toronto Hydro. Toronto Hydro wanted to sell us at 4 $\frac{1}{2}$ 16 and they do the transformation. Now the big difference in this was that we wanted to do our own transformation on a 600 volt system. In ~~the~~ other words, we would buy the transformers within the building and step that power down ourselves. But then there aren't too many 600 volt ~~transformers~~ transformers around. We would have to be responsible, of course, for replacing a 600 volt transformer, if it blew out. And the thing at that time was that by doing our own transformation, the cost of energy for that building, I think the monthly cost of power, and we buy power from the local utility the same as anybody else does, if they did the transformation it was about \$42,000 a month. If we did it, it was about \$38,000 a month. So there is a five per cent discount in there somewhere.

So we felt that by doing our own transformation that we would pick up the additional cost of the 600 volt system very quickly by the reduction we got in our power rate.

Now Toronto Hydro were trying to standardize all over the place and I can remember the last meeting with Harry Hyde and

(Mr. Candy)

when we first started the meeting, he said, "I know I am going to lose but I will try anyhow." But he was pretty insistent for a long time that we go to this ~~4-16~~ which he was trying to standardize throughout the system. I think the T-D Centre is 600. I am not sure of that but I think it is 600.

We have 600 in some of our power houses.

Mr. Shibley: Mr. Candy, would this difference in the volt system materially affect the cost?

Mr. Candy: No it would affect the operating cost.

Mr. Shibley: Not in the cost of the ~~the~~ installation - the capital cost?

Mr. Candy: No I ~~wouldn't~~ wouldn't say that.

Mr. Shibley: Going on with the mechanical, I am taking it that it is accepted that your ~~specifications~~ provided verbally, those specifications to the various developers as well.

Mr. Candy: Pardon?

Mr. Shibley: You provided those specifications to the ~~developers~~ developers in verbal terms, not in writing?

Mr. Candy: Yes.

Mr. Shibley: And then coming down to the financial terms on page five, I note you require them to state the cost and source of money.

Mr. Candy: That is correct.

Mr. Shibley: Pay all professional fees, to enter into a 30-year lease purchase agreement. Now, nowhere in those specifications as to financial, was any provision made for anyone to base a submission which permitted variation in the rental as a result of a fluctuation in interest costs of money over the 30 years. Is that so?

Mr. Candy: No, we just asked them to state their rate. The cost and source of money proposed to use...

June 13th, 1973

11.25 - 11.30 am

H 423 - 3

AA

~~(Mr. Shibley)~~

Mr. Shibley: Hydro's intention was ^{that} whatever ~~was~~ the cost of money to the developer within the 30 years, the rental rate would remain constant.

Mr. Candy: Yes, that was our intention but if the

Mr. Shibley: And that was ~~expressed~~ expressed to the four developers at ~~the~~ the time you were giving them these specifications. Was it not?

Mr. Candy: No, I wouldn't say that. I wouldn't say that. I don't think that that question came up. We were interested in what the rental rate would be based on a 30-year lease purchase, what the total rental would be to us. We were interested in the cost per square foot of the package to denote the quality of that building. We left that up to them.

Mr. Shibley: Well at the moment, I want to direct your mind to one thing. Did you make it clear to each of the four developers that you wanted a rental rate which would be firm for the 30-year ~~term of your lease, insofar as fluctuations in interest rate~~

H 424 - 1 follows

H-424-1

(Mr. Shibley)

term of your lease, insofar as fluctuations in interest rate was concerned?

Mr. Candy: I would think the first half of what you said is correct, but not the last half. I don't think that I talk about interest rates.

Mr. Shibley: Did any of them say to you in the course of your verbal exchanges, "Well, supposing we will go firm for ten years, but thereafter if the cost of money is up, we would expect you to agree to an escalation of the rental"?

Mr. Candy: We were quite prepared to accept that. What I really told these people was that we wanted these proposals, and as a result of this we would then decide with whom we wished to negotiate further.

Mr. Shibley: So as far as Hydro was concerned it had an open mind as to that item of the lease-purchase proposal?

Mr. Candy: That's right. And this is expressed farther on where our financial people went into this. We allowed people to change interest rates, ~~when~~ ^{as} we know, and we wanted to ~~and~~

Mr. Shibley: No, I'm not talking ~~about that~~.

Mr. Candy: No, all right.

Mr. Shibley: I'm ^{not} talking about changes pending the making of the deal.

Mr. Candy: At the time I told them.

Mr. Shibley: I am talking about changes within the 30-year term of the lease.

Mr. Renwick: Mr. Chairman, if I may interrupt, Item(g) on the next page appears to deal with that type of escalation or de-escalation.

Mr. Candy: Yes; *it states*:
("what items in this cost per square foot will be subject to escalation or de-escalation and the method of application".

In all fairness to the developers, I don't think that I was talking interest ~~rates~~ there, Mr. Renwick, I think that I was really talking maintenance costs, and management ^{and} maintenance.

H-424-2

Mr. Shibley: You'll have to speak up, Mr. Candy.

Mr. Candy: I say in all fairness to the developers, I don't think there that what I had in mind was the interest rate change. I think I was talking about maintenance costs ^{and} ~~in~~ that thing more than anything else. ^{That is} what I was getting at.

Mr. W. Hodgson: Mr. Shibley, before we move on, I want it made clear that all of ~~the~~ the proposals were based on 30 years.

Mr. Candy: That's right.

Mr. W. Hodgson: ~~That~~ They were told it was a 30-year ^{lease} ~~and~~ I would draw your attention to exhibit 52 of Horizon. They have made their proposal on a 33-year lease.

Candy:

Mr. ~~Shibley~~ I think Mr. Dean can deal with that one. There is quite a good clarification of that. I would prefer not to go into that myself. But I think when Mr. Dean is ~~xxxxxx~~ on he is quite ^{able}.

Mr. W. Hodgson: We'll save it for Mr. Dean then.

Mr. Chairman: Mr. McCallum.

Mr. McCallum: I think it would be appropriate with my new found microphone if I advised the chairman and the members of the committee that with respect to Hansard and a statement made by Mr. Genest, I think there must have been a misunderstanding. May I direct your attention, therefore, to Hansard on June 7, at 5:25, H-331-2, where Mr. Shibley and Mr. Genest are speaking. Mr. Genest says:

↖ "I think I can assist. I have been instructed by Mr. Mink that the question was raised with Horizon and they were not prepared to commit to 30 years!"

Mr. Shibley says;

↖ ("They were not?")

Mr. Genest:

↖ ("They were not")

Mr. ~~f~~Shibley:

↖ ("Can you assist us further as to what term they would go firm on?")

Mr. Genest:

↖ ("Well, it was not specified, but it was not for the

H-424-3

(Mr. McCallum)

whole 30 years".

I think there was a misunderstanding there and that Hansard doesn't correctly reflect the position. My understanding is that, in fact, Horizon were going for 30 years and in each case each developer was asked to go for a 30-year term. As the evidence shows you, for instance in Y and R, I believe, they proposed to change their rent if their interest rate changed during the term. And the impact of the statement made the other day with respect to Canada Square, as I apprehend the evidence, is this; that they made a statement prior to the decision being made to sign an agreement with them that no matter if their interest rate went up or not, they were prepared to stick to their price of \$4.92, and no similar statement was obtained from any other developer. This was a voluntary matter, as I understand it, so far as Canada Square are concerned. They volunteered this statement and it was ~~was~~

H-425-1

June 13/73
11.35 - 11.40 a.m.
R.E..S

H-425 - 1

(Mr. McCallum)

~~.. this was a voluntary matter, as I understand it, so far as Canada Square are concerned, & they volunteered this statement and it is incorporated in the documents, If that's~~
x helpful to you, sir, since you are discussing this aspect at this time.

Mr. Shibley: Well, it is helpful, but I am not ~~xxx~~ sure yet that everyone is completely clear, because you injected a comment about Yolles and Rotenberg and I ~~x~~ intended to get to that document. In fact, Yolles and Rotenberg asked to be permitted to consider a fluctuation within the 30-year time. It's implicit in the way they word it, as we'll see, that they realize that they were expected to go firm for 30 years.

Mr. Shibley: Mr. McCallum: Yes.
Mr. McCallum: in short, am I not correct in interpreting the situation as follows, that quite apart from any expressed communication such as Canada Square sent in, and which was made the subject of, the exchange ~~x~~ with Mr. Genest, quite apart from anything of that nature, each of the four developers alternately were put on the same premise, ~~xx~~ namely, that they would go firm for a term of 30 years with a rental rate which was not subject to variation, up or down, as a result of any fluctuation ~~of interest rates~~ ⁱⁿ interest rates within that term?

Mr. McCallum: Sir, I cannot answer you of my knowledge nor of anything I've discovered. I know that ~~xx~~ is the question, the sense of the ~~xx~~ question you are putting to Mr. Candy, and I am afraid he'll have to answer. I do not know what information he gave to the developers with respect to that aspect. I just don't have that information now.

Mr. Shibley: Well, you've made mention of Horizon. I think Mr. Hodgson was particularly interested in the fact that exhibit 52 on page one, references ~~of~~ a 33-year proposal, and I had ~~x~~ intended to develop that with Mr. Candy, ~~Did~~ they ultimately agree to a 30-year term?

Mr. McCallum: There is nothing on the record that

H-425 - 2

(Mr. McCallum)

indicates a 30-year term. I rather think that the explanation that Hydro will give is the following: that when he said in there he has particularly pointed out that we will take a ground ^{lease} ~~land~~ for 33 years, I expect ~~xx~~ what he meant was, I'll take the ground lease which will enable me to build the building. If you emphasize the word 'ground' I think you'll see the sense of what I am ~~xx~~ saying.

Mr. Shibley: Yes, that's right.

Mr. McCallum: I'll take a ground lease which will enable me to build the building in ~~30 years~~ three years, and then there will be a 30-year term left. I don't think, with respect, that he meant not to put it in for 33 ~~xx~~ years. I imagine Mr. ~~Swig~~ Zwig will tell you that, sir.

Mr. Shibley: That's my interpretation also, but there is no significance attached to that additional ~~xx~~ three years?

Mr. McCallum: No.

Mr. R.G. Hodgson: Mr. Shibley, exhibit 62 defines the material that was given to the developers. It's comparable to the -- the file numbers are comparable to the one we have just been looking at, 152, ~~xxx~~

Mr. Shibley: Oh, yes, yes.

Mr. R.G. Hodgson: ~~xxx~~ and the same file numbers are at the top of both documents, ~~xxx~~

Mr. Shibley: Yes.

Mr. R.G. Hodgson: The one with an asterisk on 62.

Mr. Shibley: Yes.

Mr. R.G. Hodgson: ~~xxx~~ But it does not mention ~~that~~ ~~the~~ the 30-year permanence in that declaration to the chairman. ^{It's about} ~~The plans~~, the cost estimates being made available to developers, verbal information, all those things, but it does not cover the 30-year firm aspect.

June 13, 1973
11.35-11.40a.m.
B.A.

Mr. Shibley: I must ~~re~~confess, Mr. Hodgson, I have not compared the outline of specifications in the report of February 1 with the specifications of the separate ~~document~~ document, and I will do so over lunch.

Mr. R.G. Hodgson: If you notice in 152, page 2, the file number at the top of that page is exactly the same as the file number in exhibit 62.

Mr. Shibley: Yes, I realize that.

Mr. Deans: Mr. Shibley, I want to be clear on ~~one~~ what Mr. McCallum is raising. There was no doubt in my mind as to what Mr. Genest said at the time, nor is there any ^{in my mind} doubt as to what Mr. Genest meant →

(Tape H-426 follows)

H-425 - 2

(Mr. McCallum)

indicates a 30-year term. I rather think that the explanation that Hydro will give is the following: that when he said in there he has particularly pointed out that we will take a lease ground ~~land~~ for 33 years, I expect ~~kk~~ what he meant was, I'll take the ground lease which will enable me to build the building. If you emphasize the word 'ground' I think you'll see the sense of what I am ~~xx~~ saying.

Mr. Shibley: Yes, that's right.

Mr. McCallum: I'll take a ground lease which will enable me to build the building in ~~80 years~~ three years, and then there will be a 30-year term left. I don't think, with respect, that he meant not to put it in for 33 ~~xx~~ years. I imagine Mr. ~~Zwig~~ Zwig will tell you that, sir.

Mr. Shibley: That's my interpretation also, but there is no significance attached to that additional ~~xx~~ three years?

Mr. McCallum: No.

Mr. R.G. Hodgson: Mr. Shibley, exhibit 62 defines the material that was given to the developers. It's comparable to the -- the file numbers are comparable to the one we have just been looking at, 152, ~~xx~~

Mr. Shibley: Oh, yes, yes.

Mr. R.G. Hodgson: ~~xx~~ and the same file numbers are at the top of both documents, ~~xx~~

Mr. Shibley: Yes.

Mr. R.G. Hodgson: The one with an asterisk on 62.

Mr. Shibley: Yes.

Mr. R.G. Hodgson: ~~xx~~ But it does not mention ~~the~~ firm the 30-year permanence in that declaration to the chairman. ~~The plans~~ ^{It's about} the cost estimates being made available to developers, verbal information, all those things, but it does not cover the 30-year firm aspect.


June 13, 1973
11.35-11.40a.m.
B.A.

Mr. Shibley: I must ~~be~~ confess, Mr. Hodgson, I have not compared the outline of specifications in the report of February 1 with the specifications of the separate ~~document~~ document, and I will do so over lunch.

Mr. R.G. Hodgson: If you notice in 152, page 2, the file number at the top of that page is exactly the same as the file number in exhibit 62.

Mr. Shibley: Yes, I realize that.

Mr. Deans: Mr. Shibley, I want to be clear on ~~one~~ what Mr. McCallum is raising. There was no doubt in my mind as to what Mr. Genest said at the time, nor is there any doubt ^{in my mind} as to what Mr. Genest meant



(Tape H-426 follows)

June 13, 1973
11.40-11.45a.m.
B.A.

H-426-1

CHAIRMAN : MR. MACBETH

(Mr. Deans)

~~at the time nor is there any doubt in my mind, ^{as to} what Mr. Genest meant~~ in reading the Hansard, ~~and~~ Mr. Genest said quite clearly that he had been instructed by Mr. Mink that the question was raised with Horizon and they were not prepared to commit for 30 years. And that beyond that he was asked whether or not, by Mr. Shibley he was asked, "Can you assist us further as to what term they would go firm on", and Mr. Genest said in reply, "Well, it was not specified but it was not for the whole 30 years". Now, it is pretty tough to misinterpret that; and that was, in fact, evidence that was very crucial at that point. Now, are we now to understand that what was said on June 7th on Page H-331-2, is not, in fact, the circumstance?

Mr. McCallum: Mr. Chairman, Mr. Genest called me from Yellowknife to tell me that he had misunderstood, and there is no question in his mind, as there is no question in my mind, that he said the words attributed to him in Hansard; that, nevertheless what he had done, as he explained to me, was that he had, in the course of this discussion, turned to the bank of people sitting behind and he misunderstood what was said to him by them; and made that answer to Mr. Shibley, sir, nothing more.

Mr. DEans: I see. What you are doing now ^{is} you are correcting the answer.

Mr. McCallum: Yes, I was asked to do this by Mr. Genest and I advised Mr. Shibley that I wanted to do that for that purpose, because he had taken the precaution of ~~the~~ calling me and saying he was certain that he had been misinformed.

Mr. DEans: Just for my own benefit, so that I clearly understand; that now we are to understand that both Horizon and Canada Square were prepared to go firm with regard to no escalation for the ~~same~~ reason of any change in interest rate, during the entire period of the contract?

June 13, 1973
 11.40-11.45a.m.
 B.A.

Mr. McCallum: No, I don't think that is a fair inference. It may, in fact, be what was intended. You are left with this, sir. So far as Canada Square are concerned, they made a firm undertaking in the course of the proceedings that no matter what happened to the price of their money, they would stay firm at \$4.92. You never had such an undertaking given to Hydro by Horizon at any time.

Mr. Deans: Well, that puts us on a spot.

~~Mr. McCallum~~

Mr. Shibley: I would be careful about jumping to that conclusion, Mr. McCallum.

Mr. McCallum: All I ^(have) said is, they didn't get the undertaking, sir. I am choosing my words.

Mr. Shibley: Yes, they didn't get an undertaking; but, you see, this is the way confusion develops. I think the best way to interpret what Horizon was willing to do is to look at the document they submitted, and then to ^(ascertain) ~~ask again~~ whether there was any further oral or written communication between Hydro and Horizon which interprets, expands or amends that. The other thing that I would caution the committee members about is this; You must distinguish in your thinking between changes in the interest rate which were occurring pending the making of the agreement, and changes in interest rate which might take place subsequent to the making of the agreement. I think you will find that in the case of the proposals themselves they said, "We are making our proposal based upon a current interest rate charge to us of X per cent". In the case of Ellis-Don, they came back, as you remember ⁽ⁱⁿ⁾ ~~one~~ exhibit and said, "The interest rate has gone up and, of course, our proposal varies accordingly". But, even in the case of Ellis-Don, if you examine the proposal, it is open to the interpretation— and the developers will explain it in this committee room— that once the agreement was made then variations would not affect their obligation to provide space at that rental rate without variation. So it is clear in the case of Ellis-Don, at least, that

June 13, 1973
11.40-11.45a.m.
B.A.

(Mr. Shibley)

they expected that any variation pending the making of the deal would affect their proposal, but not afterwards. And when you read the Horizon proposal again, it is predicated on an interest rate; nowhere in the proposal is it suggested that once a transaction is made, once ~~an~~ an agreement is made, would there be any fluctuation in the rental rate, should the interest cost of money change. Now, neither have they said, but — it is like a letter of intent, if you like — "if interest rates change pending the making of the agreement, we won't change our rental rate." They remain silent as for that

(Tape H-427 follows)

June 13, 1973
11.45-11.50a.m.
B.A.

CHAIRMAN:
MR. MACBETH

(Mr. Shibley)

~~the agreement, we won't change our rental rate.~~ They remain silent as for that short period of time, so you must be careful to distinguish in your thinking between the two things. I think when you are examining the proposals, ^{as} ~~which~~ I now intend to go through with you, you will note that nowhere, for example, in Horizon's submission, do they say that our financing has been arranged at a certain rate, and if this rate of cost of money to us changes 10 years or 20 years hence, we want a change in the rental rate with Hydro.

Mr. DEans: That ~~was~~ ^{is} ~~the same~~

Mr. Shibley: The only thing that Canada Square's letter cancelled out, or appears to have cancelled out, is any change pending the making ^{of} ~~an~~ agreement.

Mr. Bullbrook: That's it, exactly.

Mr. Shibley: Right?

Mr. Bullbrook: Right.

Mr. Shibley: So that it is not quite as significant, I don't think, as was taken from the answer that Mr. Genest made a matter of record, ~~and~~ ^{and} which I understand he was most anxious to have corrected by Mr. McCallum.

Mr. Chairman: I am satisfied if the other members ~~of~~ of the committee agree .

Mr. Shibley: Now, if we can return to Horizon's proposal, which is exhibit 52, Mr. Candy; I note that again in the first paragraph they ~~talked~~ talked about "the calibre and quality of the building and ~~a~~ finishes will be equal to or better than our recently completed Travelers Building on University Avenue". ~~And~~ and that was a building that you later indicated by letter to Mr. McCallum was of a quality that met the standard that you had in mind for your head office.

Mr. Candy: Let me say something about that letter.

June 13, 1973
11.45-11.50a.m.
B.A.

(Mr. Candy)

Mr. McCallum, I have forgotten why he called me, this was later on, he called me and asked me if I knew of any ~~buildings~~ buildings that I thought were in that area, and to be quite honest with you, that memorandum that I have there, those buildings are right off the top of my head.

Mr. Bullbrook: What exhibit number?

Mr. Shibley: Exhibit 81, July 13, 1973.

It's a memorandum to file that I wrote.

Mr. Candy: ~~It's a memorandum to file that I wrote.~~

Mr. Shibley: You had better relate that, though, to the exhibit numbers because ~~of~~ the dates -- that was put in out of chronological sequence.

Why did Mr. McCallum ask for this letter of July 13, 1973?

Mr. Candy: I am not really sure. This was when Mr. McCallum first got involved with us, you know, and when he was talking of -- ~~when~~ he started to read the documents and the information that was available at that time, and he phoned me and just asked me for this information, whether I had any idea of what other buildings were in this category.

Mr. Shibley: Was he intending to incorporate some provision in the agreement.....

Mr. Candy: No, no, I don't think so.

Mr. Shibley:.... and use these buildings as a standard.

Mr. Candy: No, there is nothing in the agreement, and there is nothing....

Mr. Shibley: No, that is not what I asked you. Was he intending to....

Mr. Candy: Not that I recall. I think it was just a general question that he asked me, and I just really took it off the top of my head.

Mr. Shibley: So that you didn't have any particular people in mind, just particular buildings in mind when you made up this letter.

June 13, 1973
11.45-11.50a.m.
B.A.

Mr. Candy: Yes, I just thought of buildings from the outside. I wasn't too familiar with the Travelers building at that time. I had been through the lobby of the Travelers building.

Mr. Shibley: Well, let's go through it, Mr. Candy.
Would a building of the quality of the Travelers building meet with acceptance by you for the purpose of your new head office building?

Mr. Candy: You ask me that now, as of now?

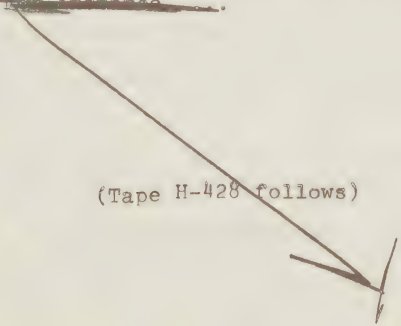
Mr. Shibley: Yes.

Mr. Candy: No. The Travelers building, actually, has ^{nice} a very ~~large~~ lobby, it has an induction air-conditioning system, it has single glazing. Now, when you look at the Travelers building, you have no tunnel, you have no subway ~~and~~ entrance, you have no executive offices, you have no auditorium. There are a lot of things in that building which are not in accordance with us, ~~Now~~, In the induction.....

Mr. Deans: That's not the quality, sir.

Mr. Candy: No, but these are things, when you talk about for instance, the cost of a building, the quality is in the induction air-conditioning system, the quality is in double glazing as against single glazing. These are the types of things we are talking about. ~~For instance~~

(Tape H-428 follows)



June 13/73
11.50-11.55 a.m.
E.M.

(Mr. Candy)

H-428-1

~~double and single glazing. These are the types~~

~~of things we are talking about.~~ For instance, the induction system under all our window units are 18 to 20 inches out from the face of the glass which take up that space which is what you are paying rent for. The ceilings, the acoustics in the building are not what we are now getting in this new building. ~~But~~ They have four highrise and four lowrise elevators, which are only available at those floors; we have elevators opening at every floor. But you know this business of what does a building cost is a very difficult problem because these buildings are built - the buildings that we looked at basically, you know, are buildings built by developers on a speculative basis to rent, to make money on, and naturally they are cutting the corners as much as they can. This gets down to the final answer; the question has been asked, how did I decide on \$34. And we get down to that. If you go around ^{and} ~~you~~ you ask anybody what a building costs. It doesn't mean very much because you never really know what is in it and it is a very difficult thing to say. It depends on their motive for giving you that answer.

So that I wasn't really concerned at that time ~~with~~ with what other buildings cost, when I arrived at ~~this~~ this decision which was a ---

Mr. Shibley: That is a topic that is of great interest to everyone and ~~and I want to~~ we will be getting into it later in some detail. I'd rather we not get sidetracked for the moment. At the moment, I want to keep ~~your~~ your attention on Exhibit 52 which is the proposal by Horizon. They appear to have submitted a proposal wherein, ~~they~~ in the first paragraph, they set a standard you yourself indicated later, as late as JULY '72, met the standard of quality that

June 13/73
11.50-11.55 a.m.
E.M.

H-428-2

(Mr. Shibley)

you had ⁱⁿ ~~the~~ mind for your building.

Mr. Candy: We went back to Horizon on this very problem on April 7, about the cost that they had included in their building.

Mr. Shibley: Yes.

Mr. Candy: This was as a result of the memorandum that Mr. Mink wrote to me whereby he asked me to get additional information from these developers. Now, I think you pointed out at that time that it appeared that all we had was a letter back from Canada Square, but on April 7 Mr. Mink and I had a meeting with Mr. Tatham to fill in the missing information and on the same day we had a meeting with Horizon in their office. This was when I talked to, ^{and} when I got this price from Mr. Zwig of Horizon, ^{so as} ~~to~~ to find out exactly what they had included for the cost of their building. And really, you must remember, we are talking about the complete package of this building.

Mr. Shibley: All right. Let us go on with the Horizon proposal. Paragraph 2 references that they will erect a building with commercial areas on the ground floor and first basement - that is the same as Canada Square, is it not?

Mr. Candy: Yes.

Mr. Shibley: And they undertake to lease that back?

Mr. Candy: Yes.

Mr. Shibley: And ^{to} provide you with the service areas and so on. They outline how the building will be heated and air-conditioned. Did that comply ~~is~~ with your specifications?

Mr. ~~Shibley~~ Candy: Well, it is heated and air-conditioned by a ~~light reclaiming~~ heat ~~reclaiming~~ reclaim system.

Mr. Shibley: And the proposal proper, Ontario Hydro would lease their land at University and College for 33

June 13/73
11.50-11.55 a.m.
E.M.

H-428-3

(Mr. Shibley)

and
years, Hydro would be responsible - that is now explained, —
still
the period for which you pay rent would ~~still~~ be only 30 years,
not 33 years, is that correct? So that the overall cost to
Hydro in terms of rental would be 30 years times the rental
rate. Is that correct?

Mr. Candy: That's right, 30 years.

Mr. Shibley: Then the second paragraph sets out
The portion
the total annual rental \$3,680,000 payable in advance. ~~Expenditures~~
to be sublet are ~~are~~ outlined.

The next paragraph deals with the operating contract
and in this paragraph, the third sentence: ~~"The cost would be \$1.~~
~~per square foot per year which include our management. This~~
~~operating figure is based~~

(Tape H-428 ~~still~~ follows)

June 13/73
11:55-12:00 PM noon
PLG(Mr. Shibley)

"The cost would be \$1.40 per square foot per year, which would include our management. This operating figure is based on our '71 costs and would be subject to escalation to cover any increase over our documented cost."

Mr. Candy, ~~with~~ was that the item to which you were referring earlier; namely, the escalation ~~and~~ ^{of} maintenance costs which were not taken into account at the time of evaluating these proposals, but has since been recognized as the material variation?

Mr. Candy: That is correct. In fact, I didn't notice that myself. I didn't see it until late in '72.

Mr. Shibley: My copy of this document has the hand-written note to the left;

"Escalation five per cent per year, over four years."

Is that a calculation or a factor that has been obtained from some source?

Mr. Candy: Well, I used as five percent -- ^{the} five per cent we ~~have~~ ^{had} been using seemed to be a reasonable figure.

Mr. Shibley: So that if this is taken to be Horizon's proposal, their maintenance charge would be more like \$1.68 at the time you went into occupancy of the building?

Mr. Candy: That is correct.

Mr. Shibley: Compared with the \$1.35 and \$1.40 rates of some of the other developers?

Mr. Candy: That is correct.

Mr. Shibley: Did any one ever go back to Horizon and ask for clarification as to their intentions in this respect?

Mr. Candy: No, we never did because we never found this out until late in the fall of '72 actually.

Mr. Shibley: You were proceeding on the basis, when you made your ~~comparative~~ comparative analysis, that it was \$1.40 as for the time you went into occupation in 1975?

Mr. Candy: That is correct.

Mr. Shibley: It does go on and say:

"We will provide a schedule of these costs as a condition of entering into our agreements. Hydro would be responsible for real estate taxes, escalation ~~and~~ ^{only} operating costs, and their own tenant Hydro charges. We would assume all other costs ~~in~~ in the aforementioned \$1.40 figure."

Then the last paragraph:

"Our financing has been arranged at 8 5/8 per cent, based upon the aforementioned net ^(net) rental figure. Although we have sufficient funds assured for the entire development, we would be prepared to permit Ontario Hydro or its employees' pension fund to participate in the mortgage investment, to whatever extent they desire, up to a maximum of \$15 million, and these monies would earn the same rate as we would expect to pay our conventional sources ~~of the~~ funds."

I point out to Mr. Candy that nowhere in this proposal is there any suggestion by Horizon that, should their cost of money increase above 8 5/8 per cent during the 30-year term of the lease, would they expect an escalation of the rental ^{rate} ~~rate~~. Isn't that so?

Mr. Candy: I would say that is correct, yes.

Mr. Bullbrook: Would you ask the witness, Mr. Shibley, if he recognized that previously?

Mr. Shibley: Yes, thank you. Was that recognized by yourself and the financial people within Hydro at the time of the evaluation?


Mr. Candy: Well, this was a thing that Mr. Mink brought up when he wrote to me and asked me to get some more information from these people, and this was one of the things. This was when Mr. Mink and I went back to Horizon on April 7, at which time in the preliminary draft of Mr. Mink's portion of that April 10 document, I had filled in this amount in there as 8 3/4 ~~and~~ ^{and} I remember being in Mr. ~~S. Ziegler~~ ^{Zwig}'s office and he made a phone call in connection with money, ~~and~~ ^{and} I think this is when he told us that it would be Metropolitan Life, the source of the funds.

June 13/73
11:55-12:00 noon
PLG

Mr. Shibley: That still doesn't answer the question. Even as at April 7, '72, if he told you the then cost of money was going to be 8 3/4 per cent, did he then say to you that if you made a lease-purchase agreement with Horizon and if, during the period of the 30-year term of the lease, the cost of money varied, that this would result in an escalation of the rental charge?

Mr. Candy: If he did I don't recall but I wish you would ask Mr. Mink that same question, ~~and~~ I haven't asked Mr. Mink the question either so I don't know.

Mr. Shibley: I think the point is we are back to this distinction about a variable in interest rates pending the making of the agreement. ~~In other words...~~



Tape H #39 430 follows.

(Chairman: Mr. MacBeth)

(~~Mr. Candy~~ Shibley)

~~..... back to this distinction about a variable and in industry pending the making of an agreement.~~

Mr. Candy: Yes, I see your point.

Mr. Shibley: In other words, interest had gone up between January and April from $8 \frac{5}{8}$ to $8 \frac{3}{4}$ and that might have affected his proposal. But nowhere in the material that I see, Mr. Candy, and I tell this for the benefit of the committee members, is there any suggestion that once a deal was made was there any opportunity to any of these developers to vary the rental rate?

Mr. Candy: There was; for instance, Ellis-Don was doing it and we were not —

Mr. Bullbrook: May I interject?

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: It's obvious that the witness has not, I say this respectfully, accepted the explanation, or understood the explanation, ~~and~~ it's of paramount importance, I think, that we understand this.

There is a possibility of a variation of the interest rate prior to a contractual relationship between Hydro and the developer. As I understand our counsel, there is no possibility, in any of the proposals, of a variation in the rental rate ~~as a~~ as a result of the variation in the interest rate subsequent to a contractual relationship between ~~the~~ Hydro and the developer.

I would like to get from this witness whether he understood that previously in assessing the proposal.

Mr. Shibley: I think it would also help everyone if you were to look at the second of the proposals by Yolles and Rotenberg which is exhibit 54(a), I believe. Sorry, it's the first one, 54 (a) January 20, 1972, the very last page, the second last page of that proposal. Do you see financing on that page? Yolles and Rotenberg, January 20, 1972, exhibit 54 (a).

Mr. Chairman: I think it's 54 (b), Mr. Shibley.

June 13/73
12.00 to 12.05 pm
fvk

Mr. Shibley: I'm sorry. It's 54 (b). You're quite right.

The second last page of that document.

Mr. Bullbrook: ~~Mr. Candy~~ Financing?

Mr. Shibley: Financing. You see, this developer is, so to speak, requesting the right to have it considered.

"We would like to ~~give~~ give consideration to the possibility of ~~having~~ the interest rate open for review at ten-year periods with a corresponding rental adjustment."

This is the only developer that even suggested that it might be considered but that's as strong as it's been presented, I think, in any of the proposals. This is just to complete your picture of what's been going on.

Mr. Bullbrook: Could we ask now, Mr. Candy, if he understood that, in effect, with the possible equivocation in the Y&R proposal, that all the proposals were on a firm basis with Hydro for the 30-year period notwithstanding any fluctuation during the term of the agreement? Did you understand that in assessing the ~~proposals~~ proposals?

Mr. Candy: Well, with all respect, Mr. Bullbrook, let me say this. The financial assessments of these proposals were not my job.

Mr. Bullbrook: This is ~~not the answer~~ ^(a satisfactory) answer.

Mr. Candy: I was not doing it. If I gave you that I would just be guessing and I don't want to guess anything.

Mr. Bullbrook: Then your evaluation of the proposals, from your point of view, has nothing to do with the financing? *That is a satisfactory answer. Good.*
Mr. Candy: That's right. My input into this was on the site leasing building ~~Mr. Candy's input~~.

Mr. Deans: That can't be so because Mr. Sissons said he relied entirely on Mr. Candy's judgement in regard to the \$34.00 per square foot.

Mr. Candy: Well, that's a different thing.

Mr. Deans: But that's surely based - Doesn't that ~~Mr. Candy~~ *Mr. Candy: It depends what you're talking about.*
Mr. Shibley: Mr. Deans, if I may assist everyone.

(Mr. Shibley)

Perhaps, Mr. Candy, just for a moment ~~←~~

Mr. Candy: If you're talking about escalation; if you are talking about pro-rating, it's one thing; or if you are talking about cost ~~←~~

Mr. Chairman: Mr. Candy, let Mr. Shibley take over from here for just a minute.

Mr. Shibley: I would remind the committee that the ultimate report of April 10 was the result of a combined effort ~~was~~ of Mr. Mink and Mr. Candy and I really believe that ~~the~~ you are in the sphere of responsibility of Mr. Mink rather than Mr. Candy in this respect.

Mr. Renwick: Mr. Candy, ~~did you~~ I think this is relevant ^{land} to the point. You assumed that the 30-year ~~lease~~ lease, whoever got the job, would contain a fixed rental throughout the whole of the term of the lease?

~~Mr. Candy: Yes, I would agree with that.~~

(Tape H 431 follows)

June 13, 1973
12.05 to 12.10
M.T.

H-431-1

~~(Mr. Hennick)~~

~~the whole of the term of the lease.~~

Mr. Candy: Yes, I would agree with that.

Mr. Chairman: All right. It's 12:05 o'clock. Mr. Bullbrook, you were making a suggestion we might ~~be~~ go a little longer; I think maybe we have been at it long enough this morning. Is the committee agreed that we should adjourn now until 3:00?

Mr. Bullbrook: Well the only thing that I am suggesting is ~~it~~ it's obvious ^{that} every half hour ~~when~~ we save in June we are not going to be using in July. And I want to be home in July.

Mr. Deans: Did you speak to the people upstairs?

Mr. Bullbrook: Well no, but we can save time now, the people upstairs really have no direction there. I suggest we go until 12:30.

Mr. Chairman: Is that going to inconvenience anybody from Hydro? I indicated earlier it would be 12:00. Is the committee agreeable to going until 12:30? All right, we will proceed then.

Mr. Shibley: I would like to go on with you and continue the reviews of the Horizon proposal of Exhibit 52. We had reached the end of the letter portion of the document itself and appended to that proposal are the special features. Appendix A, ^{and} Special features noted on plans drawn by Shore and Moffat and Partners to be included. So that starting there, Mr. Candy, they had the benefit of looking at those plans to elicit from them the special features disclosed, is that correct?

Mr. Candy: Yes, that's right.

Mr. Shibley: And certain of the special features that you were very much concerned about, of course, therefore, were part of what Horizon were prepared to provide to you on the terms of this submission, is that correct?

Mr. Candy: That's correct.

Mr. Shibley: And then you mentioned such things earlier as an auditorium and so on as entering into your thinking as to

June 13, 1973
12.05 to 12.10
M.T.

H-431-2

(Mr. Shibley)

quality, again, under "General Purpose", the first item is an auditorium, so they were quite alert to your thinking in that respect when they submitted their proposal, were they not?

Mr. Candy: I would say so.

Mr. Shibley: Yes. And on the next page such things as, "lighting, 100 foot candles."

Mr. Candy: 150.

Mr. Shibley: I'm sorry, 150; the double glazing with thermal break that you mentioned again as a special feature of the quality building you had in mind. Again Horizon committed to provide these, did they not?

Mr. Candy: Yes.

Mr. Shibley: Yes. Again, the medical services area; executive offices, I think, you mentioned as another quality item. Again they have said they have included 15,000 square feet with special finishes and a budgeting of \$15 per square foot in that respect. So again, in terms of what you had in mind as items which added to the quality level of your building, isn't it fair to say that Horizon were committing under this proposal for those self-same items?

Mr. Candy: I would think pretty well; I can't quarrel with that really. I would ~~and~~ think they pretty well covered it.

Mr. Shibley: Well then, Mr. Candy, they offered to build that sort of a building for you at a cost which worked out to, I believe, \$30 a square foot. Isn't that so?

Mr. Candy: Yes, but let me say one thing, when you are saying "is that the quality of the building?" there are a lot of, -- there is a lot more to it than just what it says in there when you are talking about the quality. I would like to get to the point somewhere where I can define, you know, how I define the quality of that building, really.

June 13, 1973
12.05 to 12.10
M.T.


H-431-3

Mr. Shibley: Well Mr. Candy, I think we all would like you to reach that point because that's why I asked you that last series of questions.

Mr. Candy: Yes. Yes.

Mr. Shibley: And whether or not ^{we} well, let's go back for a moment, Horizon was considered ~~by~~ ^{by} ~~us~~ ^{us}.....

Tape H-432 follows



(Mr. Shibley)

~~And whether or not -- oh let's go back from, Horizon was considered~~
by you as a quality builder as such - was it not?

Mr. Candy: Well, Horizon are not builders let's say, Horizon are management and financial people, they are not builders.

Mr. Shibley: But, ^{they} according to Mr. Sissons' memorandum to you in September, were one of the developers that had to be seriously considered.

Mr. Candy: That's right.

Mr. Shibley: And even in your own memorandum of April, I believe, they're mentioned as one of the two finalists I think.

Mr. Candy: That's right.

Mr. Shibley: And I've gone through their data, the specifications you laid down to them subsequently in writing, but prior to their proposals orally, you gave them the substance of all that did you not?

Mr. Candy: Yes.

Mr. Shibley: And ~~I~~ I've gone through Horizon's proposal to you and pointed up these quality items that you had earlier defined as entering your thinking in what should be the quality standards for your head office, and they are all included in the appendix.

Mr. Candy: Yes, but when you say "included", there are items included but there is still the question of, you know, how you provide it and what --

Mr. Shibley: Mr. Candy, what additional items did you have in mind then, that you expected to get from a building that was going to cost \$4.00 a square foot more, or approximately \$5 million for ~~the~~ ^{this} building?

Mr. Candy: Well, for instance, there's nothing in here ~~all, and~~ ~~with~~ we didn't ask in there, but there's nothing in there about ~~what is~~ ~~whether~~ the outside of the building, is it precast concrete or is it curtain wall, or what is it. That makes a big difference in the cost to the building. Now whether it's a steel frame or a concrete frame doesn't make all that difference in the cost of the building.

June 13, 1973
12:10 - 12:15 pm
JLP

(Mr. Candy)

It would have to be fireproof^{ed} if it was a concrete frame.

Mr. Shibley: Let's see which items would make a difference. The curtain wall would make a difference.

Mr. Candy: The curtain wall would certainly make a difference.

Mr. Shibley: Did you go back to Horizon at any time and ask them if they would do a curtain wall within the price laid down by them.

Mr. Candy: No. because we set this figure up of \$34 as being a standard, ~~and then~~ which we felt was the figure required to produce the quality of building that we were looking for.

Mr. Shibley: Well, I understand that, but what the committee I think want to understand is why you considered it necessary to make that decision when someone such as Horizon were saying, in effect, "we'll build you the building you want for \$30 a square foot!"

Mr. Candy: But you see you could go out to various developers; you could get a building for \$26, \$28, \$22 - you know you can get buildings for all kinds of prices, with all kinds of promises so you have got to —

Mr. Shibley: Mr. Candy, let's talk about this building in general. First of all, it's only a 16-storey building - is that correct? Is that correct?

Mr. Candy: You mean this new building?

Mr. Shibley: Yes.

Mr. Candy: No, it's 19 stories.

Mr. Shibley: All right 19 stories, relatively a low-rise building in this day and age. That's right?

Mr. Candy: Yes.

Mr. Shibley: And, as you go up with a building, the higher per square foot cost.

Mr. Candy: As you get above 20 floors I would say that increases, yes.

Mr. Shibley: And it's also a building with very massive floor areas.

Mr. Candy: Yes.

Mr. Shibley: Yes, as much as how many square feet per floor?

Mr. Candy: Oh up to 50,000.

Mr. Shibley: 50,000 square feet. And that has the effect of very much diminishing the per-square-foot cost of construction, does it not?

Mr. Candy: Depending a lot on your column spacing and —

Mr. Shibley: I'm talking ^{about} ~~this~~ building

Mr. Candy: Yes, I know.

Mr. Shibley: The fact that you've got 50,000 square feet per floor under construction diminishes the cost of construction does it not? Do you agree with that?

Mr. Candy: Well, you mean as compared with a building that's —

Mr. Shibley: As compared to the ^{Thomson} ~~Atlanta~~ buildings, for example which has very small floor area and still has to have four walls enclosing it.

Mr. Candy: The ^{other} ~~only~~ thing you have to consider here is that there is practically no parking in that building, and everything is usable, the lower floors are usable floors. You don't get a basement ~~with~~ which decreases it.

Mr. Shibley: Well, just answer the question I put to you Mr. Candy.

Mr. Candy: Yes, fine.

Mr. Shibley: Isn't it a fact that when you have massive floor area, per floor, that has the overall effect of reducing your per-square-foot cost of construction.

Mr. Candy: I guess to give you a direct answer, that's probably ~~very true~~ right.

Mr. Shibley: ~~My comparison, the Simpson Tower building only has say 13,000 square feet per floor~~

(Tape H-433 follows)

June 13, 1973
12:15 - 12:20 p.m.
B.G.

~~(Mr. Candy)~~

~~I want to give you a direct answer, that's probably the reason.~~

Mr. Shibley: By comparison, the Simpsons Tower Building only has ^{say,} 13,000 sq. ft. per ~~11~~ floor.

Mr. Candy: Yes.

Mr. Shibley: This is four times that area. Is that correct?

Mr. Candy: Yes.

Mr. Shibley: And, in addition, in this building there are no finished interiors.

Mr. Candy: Oh, there is all the central core. The whole thing is vinyl-covered.

Mr. Shibley: Well, a very large proportion of this interior is just raw concrete to be covered with broadloom at Hydro's cost, is it not?

Mr. Candy: You are talking about the floors now?

Mr. Shibley: Yes.

Mr. Candy: Yes, the floors were concrete floors.

Mr. Shibley: And what are the walls to be?

Mr. Candy: In vinyl.

Mr. Shibley: In vinyl?

Mr. Candy: Yes.

Mr. Shibley: Who is to provide the vinyl?

Mr. Candy: Canada Square.

Mr. Shibley: And am I not correct that the amount of walls to be covered is very much diminished by the fact that you are going to open landscape arrangements?

Mr. Candy: Well, you have all the external wall, of course, from the sills down and then you have the columns, and you have all the central core, and now this concrete portion at the back.

Mr. Bullbrook: Just answer the question, Mr. Candy, please.

Mr. Shibley: Unlike the usual building which is divided by partition walls, the open-landscape concept very much diminishes

June 13, 1973
12:15 - 12:20 p.m.
B.G.

(Mr. Shibley)

the amount of internal construction, decoration, hardware, isn't that so?

Mr. Candy: Well, no, you see most buildings which are, if you compare this to any other building, for instance, the building that you ~~were~~^{are} in, you talk about Simpsons Tower.

Mr. Shibley: Yes.

Mr. Candy: When you rent that, you know, the partitions are not there. There are no partitions; there were no partitions in this building in the contract. You are still buying open-floor buildings.

Mr. Shibley: Yes.

Mr. Candy: So that you are not comparing partitioned ^{you know,} floors, with a non-partitioned floor. You are still buying open space really.

Mr. Shibley: But in terms of the - I'm at the moment interested in capital cost of constructing this building.

Mr. Candy: Yes.

Mr. Shibley: Whether it should cost \$34.^{per} ~~per~~ square foot to build this ^{kind of a} building.

Mr. Candy: Yes.

Mr. Shibley: This builder isn't building any partitioning is he?

Mr. Candy: Oh, he is building ~~is~~

Mr. Shibley: Pardon?

Mr. Candy: He is building all the fixed partitions, all the fixed walls. He is building all the washrooms and all the mechanical rooms and ~~all the~~^{all} ~~to be~~^{other} the rooms down in the basement, but he is not putting in office partitions as say, except with the allowance which is in there for office partitions.

Mr. Shibley: ^{Well,} The only thing I am driving at, Mr. Candy, is that what is being constructed here is really a shell with an internal core, and areas for the housing of the mechanical equipment, and the executive suites. That's basically what this building amounts to.

June 13, 1973
12:15 - 12:20 p.m.
B.G.

Mr. Candy: Yes, and a very good system of acoustics in the ceiling, and a good air-conditioning system.

Mr. Shibley: Now, analyzing it in those terms, and bearing in mind what I have said to you already, about the fact that this is a nineteen-storey building, accommodating some ~~one~~ fifty-odd thousand square feet per floor, ~~isn't~~ isn't it fair to expect that the capital cost of construction of this building would not equate with a building that, as you mentioned, is in excess of twenty stories, and has a much lower per floor area?

Mr. Candy: Well, I think in all due respect, Mr. Shibley, if you look at what goes with this building at the lower floors, if you look at that plaza, and that's all part of the cost of this building, ^f if you look at the fact that there is no basement space in this building, it is all finished office area right down. There is nothing that you normally get in a building, like you know, storage areas or car parking, or this kind of thing. We have only got space for twelve cars³ in there. And our ~~tunnel~~ tunnel and our subway entrance, and this ^{type} ~~kind~~ of thing, we have got 21 elevators in that building.

Mr. Shibley: Look at, Candy, you ~~have~~ have yet to mention one feature of the building that Horizon didn't say they would build into this building at \$30, a square foot.

Mr. Candy: Well, you can build a lot of things into the building, but it's the materials, you know, that you use to build ~~the~~ these things in. There are all kinds of curtain walls.

Mr. Shibley: Let's do the curtain wall for a moment. What does that add to the cost of the building?

Mr. Candy: Well, for instance, that curtain wall in that building is about \$12 a square foot. ~~Let's take the Commerce Court, then, new building that is being built for Commerce Court.~~

(Tape H-434 follows)

H - 434 - 1

(Mr. Candy)

~~Let's take the Commerce Court, the~~ Let's take the Commerce Court, the new building that is going up for Commerce Court. Now that is costing about \$28 ~~per~~^{sq ft} a square foot. ~~that~~ is 800,000 square feet; 200,000 square feet of that are below grade and most of that is parking. That building is heated by Toronto Hydro steam, so it doesn't have a heating plant. It is a single glaze building, it has a painted steel curtain wall. Now there is a curtain wall; it is painted steel. That curtain wall is worth probably about six dollars a square foot.

This is double glazed/reflective glass and this curtain wall is stainless steel on the outside. That curtain wall in this building is about \$12 a square foot.

Now you can say, there are two buildings, ~~and~~^{and} they both have curtain walls, but there is a big difference in curtain wall, ~~and~~ In our agreement on this thing, as you will see, we have included reflective glass. The reflective glass in that building is about somewhere between two and three dollars a square foot on the building and there are about 140,000 square feet of glass in that building on the outside.

Mr. Shibley: Mr. Candy, when was it decided to have a curtain wall of reflective glass?

Mr. Candy: During the period when we were working, when Canada Square were working on this thing, ~~we were working on this thing~~ the curtain walling was certainly the thing ~~we~~ we wanted to do.

Mr. Renwick: Which period was that?

Mr. Candy: That was in November, in around ^{the} October-November period when we were working on this, and this was the curtain walling type. At one point and ~~the~~^{the} scheme they had, they ~~were~~ were solid end walls on that building and the rest of it was glass. That we didn't like and we had a projection on the front; there were a lot of changes. This is much different now to what Canada Square even submitted with their proposal.

H - 434 - 2

(Mr. Candy)

We have made improvements on that, ~~but it is~~

Mr. Shibley: I can't hear you, Mr. Candy.

MR. Candy: But it was always a double glazed curtain wall in that building. ~~I am not~~, I am not trying to be awkward in this thing but when you start talking about ~~this~~ ~~you go out~~, you go out and look at houses, and this fellow will build you a house for \$15 a square foot but this guy wants \$20. So somebody says what is wrong with the ~~\$20~~ ^{\$15}

~~Now~~, I work at a building on Bloor Street where, I am told by one of the reputable real estate people, it was re-estimated a short time ago at \$24 a square foot. That building is 20 stories high; ~~that building has~~ the lobby is a minimum, it has no freight elevator, it has a loading dock that is miles away from the elevators. When we put carpet in that building there was just no way you could get ¹² 12-foot roll of carpet in that building so we had to cut ~~everything~~ everything in six. ^{The} water runs down the windows in the winter time.

Mr. Shibley: Mr. Candy, you are going on about a building that is really of no particular interest to the committee.

Mr. Candy: No, but all I am saying, ~~that is~~ it is not a bad building. ^{It} serves its purpose, it is \$24 a square foot, but there it is.

Mr. Shibley: Let me ask you this: Are your plans for the new building sufficiently far along at this point that if they were submitted to a builder to construct, he ~~would~~ would be in a position to put a price tag on the building?

Mr. Candy: Not just from that alone, no, ^{it} has to be estimated with a lot more knowledge of what is going into the building.

Mr. Shibley: Well, have you now that knowledge?

Mr. Candy: ~~Yes, I have~~ Yes.

June 13/73
12.20-12.25 p.m.
E.M.

Mr. Shibley: Of what is going in?

Mr. Candy: Yes.

Mr. Shibley: Could you ~~xx~~ prepare that type specification?

Mr. Candy: Not the specification but the estimate of cost of this ~~xxx~~ thing. The specifications are not all written yet, ~~They~~ come out ~~----~~

Mr. Shibley: I mean, in general terms, could you indicate in addition to the plans that have now been prepared and the detail^{ing} as to what the building is to coⁿtain and how it is to be constructed, could you supplement within the next few days, the data that you already have ~~was~~ worked out to a point where a builder could give you a fixed price on that building?

~~Mr. Candy: No, I can't say as that is a
tremendous amount of work and generally~~

Tape H 435 follows

June 13/73
12:25-12:30 pm
PLG

~~_____~~
~~_____~~
Mr. Candy: No, I wouldn't say so. That is a tremendous job. This takes in all the mechanical, electrical, structural, the plumbing, the whole works; that is a big volume of work, and I am not a spec writer in the first place, but we have gone into this thing cost-wise pretty thoroughly now, and this of course, was the reason that we employed Hanscomb Roy to keep track...

Mr. Shibley: That was going to be my next question. Have you had the — you will retain them for 12 reports on an interim basis throughout the course of construction...

Mr. Candy: Yes, that is right.

Mr. Shibley: There is ~~an~~ approval of the funding of that undertaking. Have you had any reports from them?

Mr. Candy: Yes.

Mr. Shibley: How many?

Mr. Candy: We have a report now, on — you see, we asked first of all for an over-all report on the cost of the building. Then we asked for 12 reports, one every three months, which are interim reports.

Mr. Shibley: You have the original, the first — that is the over all report.

Mr. Candy: That is right. We have the over all report.

Mr. Shibley: When did you receive that?

Mr. Candy: Well, I received an over all report about, a couple of months ago — a preliminary report a couple of months ago and I looked that thing over. There were several things I was not happy ~~with~~ about with it. I sent it back to them and it was obvious that there was not enough information. They hadn't had enough information made available to them to complete that report and ~~I~~ make it actual, factual, but the purpose in my reports coming every three months was so that as more information became available they would keep up-to-date and I would know then where we were going, and the purpose of this was that as we build a building,

June 13/73
12:25-12:30 pm
PLG

(Mr. Candy)

when we want something else or we want to change something, and Canada Square says; "You can't afford it"; I say; "It says right here that you can afford it." This is what we are trying to do.

Mr. Shibley: Mr. Candy, would you then produce to me, through your ~~company~~ ^{company}, the original report to you by Hanscomb Roy, the data that you gave them to supplement the information on which they were compiling the report, and the final report as for their first report, that you have now received? I don't have any of that documentation. I would like all of it please, and I don't just want the final document. I want the earlier exchange of documents as well. Do you still have those?

Mr. Candy: I have the final one. I don't still have the first one, but they probably do.

Mr. Shibley: Would you obtain it then please?

Mr. Candy: We could obtain it, but when you say the information...

Mr. Shibley: You mentioned that you got a preliminary report, you said that it was clear to you that ~~it~~ it didn't ~~not~~ reflect all the necessary input and you provided them with further information; is that right?

Mr. Candy: No. What I did then was, I commented on that thing, on two or three items which I felt they could have been more factual on. One was the subway entrance, the other was the tunnel. For instance, on the tunnel to Murray Street they weren't aware of the fact that we have to dig up a 200 feet of sewer in the first place and raise the sewer in order to get the tunnel in. Under the normal course of events what would have happened and what we were trying to do was to cost this thing ourselves, and these were the parameters I gave Hanscomb Roy, that we would provide them with drawings and they would have access to the site. We were trying to do this independent of Canada Square so that we could get a factual report ourselves and then at the end, come together with Canada Square. They would have their costs

June 13/73
12:25-12:30 noon
PLG

(Mr. Candy)

and we would have ours. But as a result of this inquiry, of course, we went into the thing much more thoroughly and Hanscomb Roy have gotten their own people and their own consultants in the various fields. They have talked to the various consultants that are working on the job, they have talked to Canada Square, they have been together with their estimators. I have not been at those meetings.

Mr. Shibley: Mr. Candy, do I take it, though, that Hanscomb Roy are presently in possession of sufficient data to make a report as to the ultimate cost of the construction of this building?

Mr. Candy: That is right. As of this date. That is their primary objective.

Mr. Shibley: If they have sufficient data for that purpose, why do you say that a builder would not have sufficient data upon which to bid this job?

~~Mr. Candy: We have a lot of information that they had to get is gotten from consultants~~

Tape H 436 follows



June 13, 1973
12.30 to 12.35
M.T.

H-436-1

~~(Mr. Candy)~~

~~upon which the building was built?~~

Mr. Candy: Well because a lot of the information that they had to gather is gotten from consultants, you know, which is not yet on paper. This is information, they have had a lot of meetings, they brought one of their ~~own~~ mechanical people down from Montreal to talk to them. They have gotten together with people and they have had a series of meetings to try and come down to FACTUAL — and they didn't always agree with, you know, they haven't just taken figures of Canada Square. Hence, tomorrow you're not going to stand up there, a reputable organization and believe me, we didn't twist their arm, I mean I said, you know, go out and get the price as firm as you can. As far as escalation of this type is concerned they, you know, this is something that comes up later, but as time ~~goes on~~ goes on and as -

Mr. Shibley: Did their report, Mr. Candy, reflect the specifications that they obtained from consulting with these consulting firms? Does it set them out?

Mr. Candy: No, I wouldn't say, you mean expressly stating the specifications?

Mr. Shibley: Yes. You indicated earlier that this is going to be the touchstone for you to refer back to later on when you are dealing with Canada Square.

Mr. Candy: That's right.

Mr. Shibley: So I gather that the report sets forth with sufficient particularity what should be included in this building.

Mr. Candy: Oh yes, it's an itemized report; it's broken down. It's not just one figure. It's all itemized in the whole thing as to what they have included. You know, it's several pages. And we are doing the same thing as we did on the first building, but on this building, what I want to know is, and what was made perfectly clear at the Commission meeting when we approved the

June 13, 1973
12.30 to 12.35
M.T.

H-436-2

(Mr. Candy)

entering into the negotiations and finally the signing of an agreement with us, that my job was to make sure that we got a building that was costing in the total package, \$34. Now, we have this clause in there in which the rent is reduced by 75 per cent if it doesn't reach that. I have no intention of putting marble all over the walls just to make it \$34, at all. But there are some items which we have in the contract which we have excluded in the contract, but as the time goes on, if we find that this contract, that this \$34, is not being reached, we will inject these things into it and get them paid for by Canada Square instead of ourselves. So that, you know, there is no intention to change the quality of the building just for the sake of getting it up to \$34 at all. But this is in there specifically for that purpose to ensure that if it does cost less than that, in the total package, and remember this is everything, this is interim financing and this is design fees and the whole works. ~~THE~~ If it costs less than that then our rent comes down.

Mr. Shibley: Is that adjustment predicated on the building costing less ~~than~~ than \$34 or having a value of less than \$34?

Mr. Candy: I was wondering whether you were going to ask me that one. This is a question - I guess I might as well -

Mr. Chairman: ^{FOR} IS THIS THE TIME ^{FOR} lunch hour...

Mr. Candy: No, no, don't adjourn now, don't adjourn now, let me talk about that, let me talk about that. We had a lot of arguments, we had a lot of discussion about this, Mr. McCallum and I and Canada Square, and it is actually, it has no bearing on the revenue of the property. In other words, you can't say, there's a building produces a certain amount of revenue so you decide that that's what the building is worth. It has nothing to do with that. It is equated with cost. The only thing that bothers Canada Square

June 13, 1973
12.30 to 12.35
M.T.

H-436-3

(Mr. Candy)

about this thing is that Canada Square have certain patents on doing things. One is their VVR system of air conditioning which is a built in system in their curtain wall. They have other patents on elevator doors and things. They feel that they can do things at less money than other people can do because of certain ~~patent~~ patents which they have paid for. Now, I say, and we have discussed this with them and no doubt you can realize, we have discussed this with them not too long ago, we have tried to get this thing ironed out. And I say, well, if that is the case, then whatever our cost control people who are reputable cost control people, these are outside ^{QUANTITY} ~~quality~~ surveyors, ~~that are~~ people that are good in this business, what they decide, if they are going to decide that that thing is worth X number of dollars, you know, regardless of who builds it, you know, that's going to be the price. So if Canada Square has done that for a little bit less, then they are entitled to get payment out of that which will pay them for their patents and things they got before. ~~So, this is as close..~~

Tape H-437 follows

June 13, 1973
12.35-12.37p.m.
B.A.

H-437-1

CHAIRMAN, MR. MACBETH.

(Mr. Candy)

~~then, they are entitled to get payment out of that which will pay them for their patents and things they got before.~~ So, this is as close as I can come to the situation of padding.

Mr. Shibley: Mr. Candy, I am much more concerned about a larger aspect of that situation ~~and~~ ^{AND} I would like ^{you} to prepare yourself to answer on this over the luncheon recess. I would like to know what is Hydro's understanding as to the effects of inflation on the cost of the ~~the~~ building, on the value of the building, pending the period of construction. In other words, in 1975, if that building is worth \$34.00 a square foot as a matter of value, but only cost \$30.00 per ~~was~~ square foot to build, what is your understanding as to your right to an adjustment.

Mr. Candy : You want me to think about that over the lunch period?

Mr. Shibley: Over the recess.

Mr. Candy: Okay.

It being 12.35p.m., the committee took recess.

#1

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Wednesday, June 13, 1973

Afternoon session

20-100

APPEARANCES

Committee members:	J.N. Allan
	J.E. Bullbrook
	I. Deans
	M. Gaunt
	L.C. Henderson
	R.G. Hodgson
	W. Hodgson
	J.P. MacBeth (Chairman)
	W. Newman
	J.A. Renwick
	G.W. Walker
Clerk of the committee:	Paul Moore
Committee counsel:	R.E. Shibley, QC
Ontario Hydro counsel:	Pierre Genest, QC
	James McCallum, QC
Canada Square Counsel:	Douglas Laidlaw, QC
Commission Architect, Ontario Hydro:	Kenneth H. Candy

CORRECTION

The references by Mr. Ian Deans and Mr. H.J. Sissons at about the middle of page H-363-2 (June 11, 1973) should read (A) and (D) and not (A) and (B).

List of exhibits introduced during this sitting appears on last page.

H - 438 - 1

Chairman: Mr. MacBeth

continued
The committee ~~meeting~~ in the members' board room
at 3:10 o'clock, p.m.

Mr. Chairman: Ladies and gentlemen, we have a quorum.
I would call the meeting to order and again pass it over to
Mr. Shibley.

Mr. Shibley: Mr. Candy, we were engaged in something
of an aside to the Horizon proposal ^{proper} ~~paper~~, but I would like to
complete the subject of what really is intended by this
arrangement for the reduction of rent in the event that the —
I am trying to find a neutral term—the building is less than
\$34 per square foot building. Is that \$34 per square foot an
appraised value or is it to be the calculation of the actual cost
of construction?

Mr. Candy: The value as defined in there is the dollars
that you would have to spend to have that building available
for use at that point in time. In other words, the estimate that
has been made for this building has been based the way a
contractor would estimate a building. For instance, if the
painting is not done for two years the estimate includes ^{what} ~~that~~
is now their best interpretation of what the cost of painting
will be at that time. So it is the cost of the building as
you go along and the total cost of the building in 1975.

Mr. Shibley: What bothers me is the wording of the
supplementary letter agreement which is part of exhibit 2,
to which I direct the committee's attention; it is part of this
bound volume, and in the very back of it ^{is} ~~are~~ a series of letter
agreements dated October 18, the second of which has to do
with this adjustment, and the wording of the document is:

"As ~~is~~ arranged, we are writing to confirm the agreement
reached between us that prior to execution and delivery of the
building lease, Canada Square shall, if required so to do by
Ontario Hydro, retain the firm of ~~Chaffe~~ ^{Chaffe}, MacKenzie and Ray

H - 438 - 2

(Mr. Shibley)

Limited, ~~and~~ ^{or} if it is unable or unwilling to act, such other appraisal firm with MAI qualifications as may be agreed upon by ^{Ontario} Hydro and Canada Square) —

not the words "to appraise the project". ~~It~~ "Should be the appraised value" — it doesn't talk about cost. ~~It~~ "Should be the appraised value of the project be less than \$44,400,000, then" and it sets out the formula for adjustment, and you will notice on the top of page 2 ~~again~~ the words that are employed are: "75 over 100 times the amount by which ~~appraised~~ appraised value ~~are~~ ^{as} established and so on.

Now in my own mind I must say that I treat value as something different than cost, because value would be a variable from cost as a result of inflation or ^a series of circumstances.

Mr. Candy: What we were trying to do there was to do it independently on both sides. That is the reason we hired Hanscomb Roy, and I think you have a letter there of mine that I wrote to Mr. McCallum indicating -----

Mr. Shibley: What I want to know, Mr. Candy ^{maybe} I can put words in your mouth and you can agree with me, is what is intended that Han^Scomb Roy will put a cost price on material and work performed? ~~was~~

Mr. Candy: That is right.

Mr. Shibley: And they will cost, of course, relative to the time that the work and material is made an integral part of the building because they are trying to relate to the cost to the builder, Canada Square?

Mr. Candy: That is right.

Mr. Shibley: And it is that cost that we are talking about when we talk about appraised value? That is right?

Mr. Candy: That is correct, That is my understanding of it.

Mr. Shibley: And is the cost to Canada Square for material, labour and services supplied in the construction of

June 13, 1973
3.10-3.15 p.m.
M.F.

H - 438 - 3

(Mr. Shibley)

the building in its totality to equal \$34 and if less,
there is to be an adjustment?

Mr. Candy: That is correct.

Mr. Shibley: Is there no— I wish I could find out immediately whether that is also Canada Square's understanding of this agreement. Is there any factor built into the \$34 for, let us say, cost of interim financing, architectural fees, builder's profit?

Mr. Candy: Not profit, but ~~interim~~^{rim} financing is in there and design fees.


Mr. Shibley: All right. And what factor is being allowed for that?

Mr. Candy: Well, I think when you— I have shown somewhere there a breakdown, it depends ^{on} exactly ~~on~~ what it costs them for ~~interim~~^{interim} financing. We will have to know his exact cost of that. This is why you may have seen a memo I wrote ⁱⁿ the file of February 2nd, when Ellis-Don were in to see me; after I had examined these proposals I looked at this \$26 figure of Ellis-Don, which I thought was quite low, and I had him in and I went over that with him.

Mr. Shibley: Yes, you did.

Mr. Candy: And I enumerated these things to ensure that he had these things. I couldn't figure out how in the world he could include those things in that price and I went over that specifically to make sure that they were in.

Mr. Shibley: You are talking about exhibit 58, dated February 2nd, wherein you checked with him ~~as to cost of building, architect's fees~~



Tape H - 439 follows

June 13/73

3:15 - 3:20 pm

C.B.

(Mr. Shibley)

~~February 2, wherein you checked with him~~
as to cost of building, architects' fees at six per cent,
interim financing during construction.

Mr. Candy: \$4.3 million.

Mr. Shibley: Right. Payment to Wood Gundy
to guarantee the bond issue in two years, ~~had~~ ^{at} a fixed
interest, and so on.

Mr. Candy: That's right.

Mr. Shibley: Now in that connection were
these ~~included~~ in his cost of construction or were
these included in his rental rate. I'm ~~now~~ ^{now} talking
about Ellis-Don.

Mr. Candy: You will notice in item E, I made
a specific reference there; the payment of water bills
for the building is included in the rental figure. The
others are included in his ~~cost~~ capital cost.

Mr. Shibley: These were included ~~to~~ ⁱⁿ his
capital cost ~~of~~ the building?

Mr. Candy: Yes, that's the reason I went
over this with him. That was my understanding at that
time.

Mr. Shibley: Now in the case of Canada Square's
agreement with Hydro, what disposition is being made of
the self-same items, referable to the \$34 per square
foot evaluation?

Mr. Candy: Well in the Hanscomb Roy's estimate
of the cost of this building, they exclude interim financing
and design fees. These are something that we are going to
have to get from Canada Square when it is all finished,

June 13/73

3:15 - 3:20 pm

C.B.

(Mr. Candy)

because we don't know what interest rates are going to be or what he's going to have to pay for ^{the} money.

Mr. Shibley: You are going to allow them an amount, whatever is their cost ^{of} moneys for their interim financing and their design fees?

Mr. Candy: That is correct.

Mr. Shibley: Are you allowing them anything for builder's profit?

Mr. Candy: No, the builder's profit is not in there. ~~That's not in there.~~ We are allowing them for overheads ^{that is}, their staff on the job and this type of thing, their overheads, but not profit.

Mr. Shibley: So that ~~could~~ ^{to} be clear, in the computation of the \$34 for purposes of calculating and adjusting ^{ment} downward of the rental, no amount is to be included in that calculation for profit on the building?

Mr. Candy: That is correct. We figure that the profit will come out of the residual depending on how they take it out, afterwards, through their rental figure.

Mr. Shibley: All right. That's your understanding.

Mr. Candy: That's my understanding.

Mr. R.G. Hodgson: Mr. Shibley, before we leave exhibit ~~2~~ ³, the bottom paragraph (a) quotes a rental figure of \$484 where all the other documents are saying \$492.

Mr. Shibley: Yes the financial people ^{will} explained that. What they did is they wrote in the recovery, in part,

June 13/73

3:15 - 3:20 pm

C..B.

(Mr. Shibley)

on the commercial areas. The real rate was \$492 —

Mr. Candy: I can explain that if you like,
Mr. Shibley.

Mr. Shibley: ^{adjusted} downward to \$484
across the balance of the space to take into account
the credit ^{to} which Hydro is entitled. Is that not
correct, Mr. McCallum?
Candy: Yes, it is a bookkeeping
operation so we don't pay them and they pay us.
The minute we start paying \$484, they are automatically
paying us for the commercial area.

Mr. Shibley: Instead of two cheques crossing.
All right, I'd like to ^{return} ~~send~~ to the submissions made by
the various developers. The next one I want to deal
with is Yolles and Rotenberg, and the documents in that
connection commence at exhibit 53, ^{and} ~~the~~ following, the
meeting of December 14, 1971.

Mr. Candy: 53? I don't seem to have it here.

Mr. Shibley: December 14, 1971.

Mr. Candy: January 20th? Which one are you
looking at?

Mr. Shibley: Would you give him exhibit 53?
That meeting concentrated its attention on the possibility
of Hydro locating ~~in the~~ on the Eaton's side, Is that
correct?

Mr. Candy: Yes sir, that is correct.

Mr. Shibley: As a consequence of that meeting
they submitted a proposal which is exhibit 54, ~~A~~ and ~~B~~
Is that correct?

Mr. Candy: I have 54B here.

Mr. Shibley: It is only ~~B~~ that you really
require, Mr. Candy, 54B is ~~their proposal dated~~

H440 to follow

June 13/73
3.20 to 3.25 pm
DT

(Mr. Shibley)

~~It is only B that you really require, Mr. Candy. She is~~
their proposal dated January 20, 1972.

Mr. Candy: Yes, sir.

Mr. Shibley: I note that the rate is \$4.70 per square foot.

Mr. Candy: Yes.

Mr. Shibley: That's for office area. I note also, skipping along, ~~that they set~~ as their standard, the IBM computing centre building, which you visited with them, did you not?

Mr. Candy: Yes.

Mr. Shibley: And were you satisfied with that standard?

Mr. Candy: Well, not really. The IBM computer building is a very, you know, I went up there and I talked to one man ~~who~~ took us around IBM; he seemed to be quite happy with the kind of maintenance they were doing for them; but there again, in looking at buildings, the IBM building is not a high building. It is not an expensive building. It has got very large ~~area~~ floor areas. I think the ground floor is about 90,000 square feet, and a lot of that ~~was~~ taken up with IBM equipment, and Allstate Insurance are in ~~part of it~~ and quite a bit of that building was empty but.

Mr. Shibley: Quite ~~apart~~ apart from its mode of use, Mr. Candy, we are really more interested in the quality of the structure.

Mr. Candy: Well, there again, it is a big open space, you know, which ~~was~~ just built as a speculative building.

Mr. Shibley: Well, wasn't it built for IBM?

Mr. Candy: I don't think so. I thought the biggest tenant was Allstate. Allstate have followed them around, I think, from two or three other places but they had a lot of space to rent when I was up there.

Mr. Shibley: Did you have anything to say to Yolles and Rotenberg that you wanted a building of even higher quality?

June 13/73
3.20 to 3.25 pm
DT

Mr. Candy: No, we didn't. He just took me around to see this building that they had built. ~~It is~~ pre-cast concrete on the outside, and not the most expensive pre-cast.

Mr. Shibley: Otherwise, did the proposal comply with the verbal instructions that ~~you had~~ given, which ultimately found their form in ~~the~~

Mr. Candy: The proposal of the 20th?

Mr. Shibley: Yes.

Mr. Candy: Not really. The trouble with the proposal of the 20th, this was for a lease-purchase on the Eaton's site, and I think....

Mr. Shibley: Quite apart from the locale, *just leaving for the moment*

Mr. Candy: No.

Mr. Shibley: Otherwise, did it comply?

Mr. Candy: This was just a building with no basement. ~~and there~~ ^{it} was a building above grade. ~~It~~ ^{it} was a building where they wanted I think \$25 ^{per} parking space for cars, and it was in a large complex which they proposed to build. We indicated to Yolles and Rotenberg before this, and I think it is mentioned in here somewhere in this proposal, that we had indicated we would sooner be in our own property. But they were ~~pushing~~ ^{really} this ~~very~~ hard to try ~~to~~ get a ~~prime~~ prime tenant to get that project off the ground.

Mr. Shibley: Skipping through that, because it is really ~~it~~ ^{relevant} ~~to~~ ^{for} our purposes, except for the last two pages of that proposal, ~~the~~ setting out the rental proposal, which ~~was~~ ^{was} more or less incorporated by reference into their proposal for your own site. Do you see the page style, "rental proposal" ^{and the} following, maybe the third last page?

Mr. Candy: Yes.

Mr. Shibley: ~~and~~ It sets out the rate at \$4.70 for office, \$3.00 for storage, a term of 30 years, maintenance of \$1.35, and I notice that in that respect, that is a figure that they say they had already updated to anticipate the effect of inflation.

June 13/73
3.20 to 3.25 pm
DT

Mr. Candy: Yes.

Mr. Shibley: So they were projecting forward to 1975 when they quoted you a rate of \$1.35 for maintenance costs.

~~Mr. Candy:~~

~~Mr. Shibley:~~ Is that correct?

Mr. Candy: I would say so; ~~that's what that looks like.~~

~~Wouldn't you,~~

Mr. Shibley: Just from this bit of information

in itself, be ~~xxx~~ inclined then to go back to Horizon, if you had known that the \$1.40 was based on a 1971 base year, and question them as to whether they really meant \$1.40 on the basis of 1971?

Mr. Candy: Well, if we had known, but we just didn't pick that up then.

Mr. Shibley: All right. Then, I notice also on the next ~~page~~ page.

Mr. Bullbrook: Excuse me, I want to clarify this. Is the response to your final question that it was just an oversight?

Mr. Shibley: The response was that they never recognized the circumstance in the Horizon proposal that it was submitted on a 1971 base year, so it never entered into their thinking at that time.

Mr. Bullbrook: In other words, they thought it was 1975 and it was in effect a nickel difference.

Mr. Candy: Five percent. Mr. Bullbrook: Five per cent. I'm sorry.

Mr. Shibley: They thought that the \$1.40 was to be the maintenance rate in 1975 so it never entered their thinking when they made a comparative evaluation of the

(H-441 to follow)

June 13, 1973
3.25 to 3.30
M.T.

H-441-1

(Mr. Shibley)

~~so it never entered their thinking when they made a comparative~~
evaluation of the four proposals, Is that correct, Mr. Candy?

Mr. Candy: That's right, ~~and~~ When we made the final decision it hadn't entered into it then.

Mr. Shibley: Right. Now on the next page you are talking about financing, and we ~~had~~ have already looked at this, they ^{have} said they would like to give consideration to the possibility of having the interest rate open for review at ten-year periods. Mr. Candy, would you agree with me that that indicates that all of these developers realized that what Hydro was stipulating ~~was~~ was a fixed rental rate for a term of 30 years regardless of the fluctuations and cost of financing within that term?

Mr. Candy: Well, this says here, "with a corresponding rental adjustment."

Mr. Shibley: They say they'd like you to consider that.

Mr. Candy: Yes.

Mr. Shibley: Possibility of having it considered.

Mr. Candy: Yes.

Mr. Shibley: But ~~that~~ doesn't it indicate they realize that the premise upon which they —

Mr. Candy: Oh, I see what you mean, ^{Yes}, I would say so, yes.

Mr. Shibley: And this was the case with all of the developers, Isn't that right?

Mr. Candy: I would say so.

Mr. Shibley: All right. Well, then skipping along to Exhibit 55, which is their supplementary proposal of February 7, 1972, in the fourth paragraph they say:

"We can advise you that we could create a similar structure, architecturally excellent and functionally superior, on your University Avenue Site at a ~~x~~ rental rate of \$4.50 per square foot per annum. This compares with an effective rate of \$4.00..".

June 13, 1973
3.25 to 3.30
M.T.

H-441-2

(Mr. Shibley)

Now I notice later in your comparison you use the \$4.70 figure set forth in the Eaton Centre proposal —

Mr. Candy: You mean in my memorandum of February 1?

Mr. Shibley: February 1.

Mr. Candy: Yes, ~~because~~ that's because I didn't have this at that time.

Mr. Shibley: I see.

Mr. Candy: This is February 7, and I asked Mr. Tatham to give us a proposal on our own site.

Mr. Shibley: So your February 1 memorandum, as you say, — you are quite right, it predates this.

Mr. Candy: That's right. I did not have that.

Mr. Shibley: Did you know that Yolles and Rotenberg were asked to do a follow-up submission on your University Avenue site?, You were aware of that?

Mr. Candy: You mean to provide this?

Mr. Shibley: Yes.

Mr. Candy: Oh yes, I asked them to.

Mr. Shibley: I see. And notwithstanding that that was yet to be received, you compiled your report of February 1?

Mr. Candy: That's correct, I put in what ^finformation I had ^{then}.

Mr. Shibley: All right, So you didn't wait upon the submission by Yolles and Rotenberg on the site that was of interest to you?

Mr. Candy: No, that ~~is~~ is true, and that, of course, was because we felt, ~~you know~~ we were going to study all these things and there was room for anybody to ~~you know~~ make changes or alterations or what have you. It was a very informal proposal type of thing, and ~~so we were not~~ ~~if~~ there was nothing fixed ~~about~~ about it at that time.

Mr. Shibley: All right.

June 13, 1973
3.25 to 3.30
M.T.

H-441-3

Mr. Candy: I mean, anybody could withdraw one of these things and say, "We're not interested", and ^{THERE IS} ~~now~~ way we could have stopped them.

Mr. Shibley: All right. Then the balance of that document simply gives reasons why they don't believe the commercial development is viable at that site.

Mr. Candy: That's right.

Mr. Shibley: They were very negative about commercial development.

Mr. Candy: That's right.

Mr. Shibley: And your thinking and the thinking of your people generally was very favourable towards commercial development.

Mr. Candy: That's right, especially me.

Mr. Shibley: And I notice in later evaluations, the negative attitude of Yolles and Rotenberg towards commercial development at ^{this} ~~the~~ site was a circumstance that weighed against their proposal in your thinking.

Mr. Candy: That's right.

Mr. Shibley: Incidentally, can you make any comment as to more current information respecting interest in that commercial site?

Mr. Candy: Well, I would say there has been quite a bit of interest in that commercial site, and I have every reason to suspect, while it may have to be subsidized in some areas to begin with, I am still confident that that thing is going to be successful. I really think it is.

Mr. Shibley: Have you had inquiries?

Mr. Candy: I have had inquiries, all of which I direct directly to Canada Square.

Mr. Shibley: Yes.


Mr. Candy: We don't deal with them ourselves, and this is one of the reasons why I had someone in our property department

June 12, 1973
3.25 to 3.30
M.T.

HQ441-14

(Mr. Candy)

allocated not only in the rental of surplus ~~of~~ space but I wanted someone who could deal with Canada Square, because we have the right to accept or reject. In other words, we don't a wet-wash laundry, you know, but ~~that's all~~.



Tape H-442 follows

June 13/73
3.30 to 3.35 pm
fvk

(Mr. Candy)

~~...we have the right to accept or reject. In other words,~~
~~we don't want to whitewash laundry in there, yes, but,~~
 within reason, we have to accept them. I want somebody else to do that.

This business of this gymnasium¹ thing came up the other day. That was one thing that ~~prompted~~ ^{prompted} that, really.

Mr. Shibley: Then, Mr. Candy, the next proposal that I want to review with you is that of Ellis-Don. That's exhibit 57. There's a follow-up letter of February 2, 1972, but I believe the submission itself was sent in to you on January 24, 1972. Is that correct?

Mr. Candy: That's correct.

Mr. Shibley: And the submission is ~~asked for~~ ^{as per} the material appended to the letter which is exhibit 57. Is that correct?

Mr. Candy: Yes, that is correct, ~~yes~~.

Mr. Shibley: Now, leaving the letter itself for the moment and going immediately to the document appended to it, it starts off: "Two weeks ago we were requested to submit a proposal." Was it, in fact, only two weeks prior to January 24 when Ellis-Don were asked to submit a proposal?

Mr. Candy: If Don Smith says that's so, then that's so as far as I'm concerned. I've a lot of respect for Don Smith, and if he says that's so, that's so. ~~They were~~ They were very persistent people. Don Smith was continually calling me, or writing to me, and I noticed that I ~~had~~ ^{had} a meeting with his Toronto manager on, I think, January 10.

Mr. Shibley: Yes.

Mr. Candy: But I find it kind of hard to believe that I didn't see Don Smith in there sometime within that period.

Mr. Shibley: ~~For~~ ^{My} information, Mr. Candy, ~~and~~ ^{and} maybe you can enlighten us ^{is that} initially, you ~~was~~ asked to have the submission in by the 22nd and then gave them an extra weekend so that it could be in by the 24th.

June 13/73
3.30 to 3.35 pm
fvk

Mr. Candy: That's right. I know he did ask for more time. We were not really pushing people. I saw in a document there where I had said, "the week of January 17" or something. ~~But~~ I've got to admit that Don Smith was a general contractor, a good contractor, but he was ~~persistent~~ persistent in getting into this. ~~And~~ I think by his proposal that he put in whereby he is not in the development business and put in a joint effort with Sifton Properties, and then later said ~~that~~ that he would get into the development business, ~~for~~ a job of this size, I've got to admit that this kind of bothered me. ~~Remembering~~ I can remember ~~him~~ him coming ~~in~~ in to me one time and sitting down there, and he said he'd been down to Wood Gundy, ~~and~~ he said: "Golly, do you know how much it's going to cost me just to get that mortgage?" I said; "No." He said: "\$1 million."

I was honestly concerned that we could ^{get} Ellis-Don into financial difficulties in this thing.

Now, ~~Ellis-Don~~ I know in his memorandum he says that he does about \$80 million a year, but this \$80 million, he doesn't finance, you know. ~~For~~ These are jobs that he's doing and he's getting monthly draws on all these. This was a different type of thing. ~~I would have~~ I was really worried about Ellis-Don as an organization and not as Ellis-Don. I would ^{have} like ~~to~~ very much, to have done business with Ellis-Don, but ~~I~~ honestly, I can't deny that I was not encouraging him to get into this thing. I sort of ~~was~~ wished that he would back off because I felt that we were getting him into a field ~~where~~ that he shouldn't be in.

Mr. Shibley: Did you tell Mr. Smith, at some point in time, not to work too hard on his proposal?

Mr. Candy: ~~I~~ I've seen that in the paper or some ~~place~~ place but what I really said was: "I don't want drawings." This ^{told} is really what I ~~told~~ people, ~~and the purpose was I didn't want drawings and~~ I told this to Canada Square. I know, Canada ~~Sq~~ Square brought drawings in and when they brought them in I was pretty upset when they brought them in. I knew that I had been

June 13, 1973

3.35-3.40p.m.

B.A.

H.-443-1

CHAIRMAN: MR. MACBETH

(Mr. Candy)

~~I knew I had been~~ doing this and I had been going through this period with Canada Square to get ideas on ~~the~~ what we wanted, but at the same time, I did not want people -- Horizon prepared drawings too ~~and~~ -- but I did not want people to put drawings in because I did not want people to get involved in \$15,000 or \$20,000 in design fees for getting all this stuff together and then wind up getting nothing out of it. Now, my intention was that no one would get nothing out of it, but at the same time ~~to~~ my ^{would} intention at this time was that we ~~decide~~ by this process who we would then negotiate with; and this is, I guess, what ~~the~~ private business was doing, but I guess I sort of overlook the fact that we are a public organization, but in any event, that is the route I took.

Mr. Shibley: I want to be very clear on this. You are saying that the purpose of soliciting these ~~initial~~ initial proposals, in January, we are talking about the proposals that came in on and before January 24 from the four developers.

Mr. Candy: That's right, yes.

Mr. Shibley: That these were only intended as the preliminary proposals, ^{Is} that correct?

Mr. Candy: These were intended as proposals to determine from that who ^{we} would then negotiate with further.

Mr. Shibley: Yes. All right. Now, just returning to what you said to Don Smith, I would like you to be more precise. Did you relate your comment solely to the preparation of plans or did you express yourself generally to the effort he should apply?

Mr. Candy: No, my recollection is that it was solely in connection with plans. He talked about getting a design, putting in drawings, and I discouraged him from doing that. When people were coming in and when people were looking at these drawings, or people were taking them into the conference room to go over them, or

June 13, 1973
3:35 - 3:40 p.m.
B.G.

(Mr. Candy)

Horizon brought their estimator in, I had no restriction on that at all. They were welcome any time. I gave them all the help I could.

Mr. Shibley: In that connection, did you show people like Ellis-Don the ~~spec~~ specifications that were employed at the OISE building?

Mr. Candy: No, I didn't have any, ^{do} or you mean the spec that Brooks ~~had~~

Mr. Shibley: Brooks.

Mr. Candy: No, as a matter of fact, I didn't even know I had it then.

Mr. Shibley: I see.

Mr. Candy: I didn't show ^{that} ~~it~~ to anybody because I didn't even realize I had it there, and I didn't use it at all. I never showed it to anybody; I didn't realize when it turned up in this inquiry, I said to somebody, "gosh, was that in my file?"

Mr. Bullbrook: Could we just pursue for a moment this question of the judgment that was being made? As I understand the evidence thus far, Mr. Shibley, Hydro was sincerely desirous of having these people propose a building for them. But the building itself didn't enter into that, and I want the witness to correct me. I am just trying to clear my understanding of it. They were sincerely desirous of dealing with these developers. But they didn't need drawings; in other words, they didn't need to make a judgment on the building, although it happens that Canada Square had submitted drawings which were ~~attractive~~ ^v attractive. Am I correct in assuming that at this stage it became a question of dollars and cents? Correct me, maybe ^{I'm} ~~my~~ misunderstanding, maybe I am ~~Don't~~ don't understand what is going on.

Mr. Candy: No, that's fine, Mr. ~~Paul~~ Bullbrook, let me try to. When they built the City Hall they strictly ran an architectural competition, and that was based on an architectural ~~competition~~ competition. That's the way it was decided. "Which

H-443-3

June 13, 1973
3:35 - 3:40 p.m.
B.G.

(Mr. Candy)

design do you like the best? This wasn't what we were doing. We outlined ~~a~~ ²criteria here with a group of people who were well aware of what was required, ~~to go in the buildings,~~ who had been in this business. We were trying to get at the nuts and bolts, or as you say, the dollars and cents of this whole operation. This is really what we were trying to do.

Now, in these requirements, we said here, "a building ~~designed~~ designed to the approval of Ontario Hydro." And this is what we had in mind, that we would get a building ~~you have~~ designed to suit us. Now, ^{there is} ~~one~~ thing I would like to ^{mention} ~~mention~~ here: Mr. Shibley said the other day that the employing of an outside architect was a negative thing. That is not a negative thing, that is only negative in the sense ^{where you} ~~we~~ combine it, with the ~~you~~ ^{himself,} ~~know, the~~ with the developer ~~itself, it is a combined thing, but~~ ^{where} ~~for~~ it's a ~~combined~~ thing, But we were not running an architectural ~~architectural~~ competition, and this is a fact, ~~What~~ we were doing was to try and find out the economics of doing this whole thing.

~~Now, we had a lot of people~~

(Tape H-444 follows)

June 13, 1973
3.40-3.45 p.m.
M.F.

H- 444 - 1

Chairman: Mr. MacBeth

(Mr. Candy)

~~competition and this is a fact. What we were doing was to try to find out the economics of doing this whole thing.~~

Now we had been through a very useful exploratory period with Canada Square and, true, we were quite impressed with Canada Square, but having ^{gone} through this exploratory period, I was quite aware, I was getting pretty well in my own mind just what we really did want. When I saw the design that Horizon had prepared it was just not what we wanted at all.

Mr. Bullbrook: ~~This is~~ Am I unduly interrupting your ^{train} ~~line~~ of examination, Mr. Shibley?

Mr. Shibley: No.

Mr. Bullbrook: This is what causes me concern at this time —

Mr. Candy: That is fine.

Mr. Bullbrook: You are making a judgment on Horizon's building and yet with Ellis=Don you don't want them to even submit plans to you.

Mr. Candy: Well, this is the reason: ~~because~~ Suppose everybody had submitted plans; suppose everybody had put in a design -----

Mr. Bullbrook: But Canada Square did.

Mr. Candy: I know, but just for the moment suppose everybody had submitted a design. Now what are you going to judge it on? Are you going to say that is going to cost you so much and that so much? Are you going to judge it on the dollars or are you going to judge it on whether you like the building? You have to do one thing or the other, you can't do both.

Mr. Bullbrook: But so much of your evidence ^{that} you have given to us before has been on the quality of the building.

Mr. Candy: That is correct.

June 13, 1973
3.40-3.45 p.m.
M.F.

H - 444 - 2

Mr. Bullbrook: Obviously I am obtuse.

Mr. Candy: But the quality of the building can be determined by the cost of the building. If we ~~can~~ establish the cost of a building, ~~what~~ this thing is going to cost, we know we can get the quality that we are looking for. And we are looking for something that is not ^{just} going to be good for 30 years; we are looking for something that is going to be good for a long time after that and with as little obsolescence as possible.

Mr. Bullbrook: Oh I am sure of that. I will stop now.

Mr. Shibley: Mr. Candy, just along the same line, *however*. You did permit Canada Square to engage in quite a considerable effort in working up its proposal. Is ~~that~~ correct?

Mr. Candy: That is correct.

Mr. Shibley: It extends all the way back to August -----

Mr. Candy: That is correct, I don't deny it.

Mr. Shibley: Having permitted that ~~one~~ developer to make that kind of an effort and having provided a meaningful measure of input yourself into the design and proposal, did you personally feel a commitment or an obligation to Canada Square to consider its proposal perhaps more carefully and more seriously when the time came to select the developer?

Mr. Candy: I wasn't really thinking in those terms at that time, but I would say that in considering it there was more to it than ^{the} design. As I said ^{to you} once before, who you are going to get in bed with for 30 years was what I was really worrying about.

Mr. Shibley: You had been courting one another for some months, ~~x~~ and you felt happier with it.

~~Mr. Candy~~ Mr. Bullbrook: The time to bed down, ~~today~~ ^{is it?}

Mr. Candy: No, I was really thinking at that time -- I mean, the people that these other people had mentioned as architects that they would get, were all good architects. I did insist that they employ Amason as a consultant on this thing

H - 444 - 3

(Mr. Candy)

because I wanted ^{the} a carry-over from the other thing, and Adamson is a good designer, ^A and I wanted -----

Mr. Shibley: You are not answering my question.

Mr. Candy: Oh, I am sorry.

Mr. Shibley: What I asked you is when the time came to make a selection, was the circumstance of your having spent so much time with Canada Square over a period of some months, used their experience, provided them with data to carry on working up information, etc., was all that influential in terms of your own decision-making?

Mr. Candy: I would say yes it had an influence, ^{Yes}.

Mr. Shibley: It necessarily influenced you.

Mr. Candy: But the thing that I want you to understand — and I am not trying to qualify the thing, but Canada Square are a very ambitious organization, you just can't stop them. You can't hold ^{it} ~~them~~ back, And, of course, being an architect I got enthused myself and I couldn't resist participating in criticizing these things or adding comments to the designs that they were doing, ~~and~~ I felt that I honestly didn't expect them to submit drawings when they submitted their proposal, and I was really disappointed -----

Tape H - 445 follows

H-445 - 1

(Mr. Candy)

...but I ~~honestly didn't expect them to submit drawings~~
when they ^bsubmitted their proposal, and I was really disappointed
when they brought these things in. And I accepted them, and
one thing that I want you to ^kknow is that I have never yet
shown those drawings to our management or our commission;
they never left my office. If I have shown ~~me~~ anything to
anybody, it has been an eight-by-ten of their perspective;
the rest of it they have never seen, and I have never used it.
For instance, at a commission meeting or at a management
meeting, I've never taken this stuff to promote Canada Square.

Mr. Shibley: But you did refer to it in ~~a~~ your
memorandum of February 1.

Mr. Candy: I did refer to it; I did refer to it.

Mr. Shibley: Yes.

Mr. Candy: I referred to it, and also in the
April 10 report we referred to it.

Renwick:

MR. ~~Shibley~~ // Yes, in very favourable ~~g~~ terms,
Mr. Candy.

Mr. Candy: Yes, I agree.

Mr. Renwick: You indicated just a moment ago, as
I understand it, that you were disappointed with Canada Square
because they had submitted drawings with their report ~~and~~

Mr. Candy: That's correct; yes.

and

Mr. Renwick: ~~and~~ yet in your report of February 1,
~~to~~ Mr. Shibley points out, and as ~~to~~ you interjected in
your report of April 10, you referred very positively to the
work which has been done ~~and~~

Mr. Candy: That's right, that's right. Let me say...

Mr. Renwick: ~~and~~ and each of those reports, read
objectively, would indicate that you were recommending Canada
Square.

Mr. Candy: Well, in the February 1 letter, Mr. Renwick
what I was really -- I know the way it reads. It looks like that
and maybe that was partly in my mind, but what I was trying

June 13/73
3.45 - 3.50 p.m.
R.E.S.

5
H-448 - 2

(Mr. Candy)

to indicate ~~xxx~~ there was the fact, for instance, having had something to do with that design and knowing the curtain wall and so on; and then looking at the \$26 price of Ellis-Don, I was trying to relate that to that, But those were the only two capital cost prices ~~xxxx~~ we had that were submitted, but ..

Mr. Renwick: Well, my only interjection, Mr. Chairman, ~~xxx~~ at that particular point was that your ~~xxxxxxx~~ memorandum of February ~~xx~~ 1 and the draft of April 10 don't really reflect disappointment. The price is there; ~~xxxxxx~~ ~~xxxxxx~~ the drawings ~~may~~

Mr. Candy: No, let me -- can I ~~add~~ change the word when ~~it~~ ^{they} came in? ~~xxxxxx~~ Rather than "disappointment" can I say "embarrassment"? Maybe it sounds better, ^{I don't know,} but I did not expect them to send these things in, because I realized I had been telling ^{other} people not to submit drawings, and along comes this set of drawings.

Mr. Shibley: You also realized the set of drawings reflected a measure of your own contribution?

Mr. Candy: Yes, that's true, that's true.

Mr. Shibley: Well, let's return to Ellis-Don.

Mr. W. Newman: ~~xxxxxx~~ Mr. Chairman, while we are on this, ~~xxxxxx~~ I am concerned ~~that~~ ^{that} Mr. Candy has indicated that perhaps he might be said to be biased in favour of Canada ~~xx~~ Square, ~~and my~~ ^{then} ^{did} question to him/is, ~~does~~ this have any effect on your final judgement or thinking of what was best for Hydro in the final analysis of the building?

Mr. Candy: On my final ..

Mr. W. Newman: Are you still convinced that you made the best deal for Hydro?

Mr. Candy: I certainly am, absolutely.

Mr. Allan: Mr. Chairman, I have restrained from interrupting ...

Mr. Bullbrook: ~~xxxxxx~~ (Inaudible) ..

H-445 - 3

Mr. Chairman: ~~Well, we'll give you a chance,~~ Mr. Allan;

you've been very patient.

~~(Shibley?)~~
An hon. member: Make it a good question.

Mr. Allan: ~~Will~~ I am hoping that Mr. ^{SHIBLEY} ~~Shibley~~
~~will~~ by his ~~next~~ questioning ^{will} enlighten us as to how
the decision was finally going to be made. I find it
difficult to find a basis for comparison ^{of} ~~the~~ the various
proposals, ~~and~~ no doubt you intend to bring this out, do you?
You are hoping to bring ^{it} ~~it~~ out, if that's a better word.

Mr. Shibley: Well, what I ~~intend~~ intend to do, Mr.
Allan, is to bring out what, in fact, took place in the
selective process. I'll leave it to the members of the
committee to decide whether in that respect Hydro had a
planned programme of selection, and, if it did, whether that
programme was effective to obtain the ~~best~~ ^{best} proposal.
I think simply to ask the witnesses/beyond that might lead
us into areas of speculation rather than fact. I ~~intend~~ ^{adduce} intend
to ~~adduce~~ ^{adduce} from the material that has been produced to me,
the oral and documentary testimony, as to what they ~~actually~~ ^{actually}
~~in~~ in fact, did in making their selection. You've now got
the picture. ...

~~(Tape H-4456-1 follows)~~

Due to a breakdown in the recording
equipment, approximately the next
five minutes of testimony is not
available for the Hansard record.
Testimony resumes on page 447-1.

June 13/73
3.55 to 4.00 pm
DT

(Mr. Shibley)

management.

Mr. Candy: I think so, yes.

Mr. Shibley: And did you consider their joining with Ellis-Don, a supplementing of the other capabilities of Ellis-Don in ~~turning down the~~ ^{terms of providing} maintenance?

Mr. Candy: I wasn't very acceptable to that, because then you have ~~got a~~ ^{got a} split ~~the~~ responsibility, — Somebody who builds the building and walks away from it and somebody else ^{who} is responsible for looking after it and whatever happens in that building, for instance, in a single venture with one person, they take the full responsibility for whatever happens in that building if something goes wrong. They have built the building, so they have got that full responsibility. ~~and~~ I wasn't happy about a split venture in that area.

Mr. Shibley: And in fact you made your feelings in that respect known to Mr. Smith, didn't you?

Mr. Candy: I think so.

Mr. Shibley: And wasn't that the reason that he thereafter dropped Sifton as a partner and presented himself ^{as} ~~a~~ a single entity to be the builder and ^{the company that would} ~~maintain~~ maintain the building.

Mr. Candy: That's right. That was in March or April some time. He said then he was going to go into the development business.

Mr. Shibley: The point I am driving ^{at} is that he dropped Sifton as a ~~xxx~~ partner because he knew that you were unhappy about having to deal with two people as opposed to one. Is that correct?

Mr. Candy: That's right.

Mr. Shibley: And yet when he dropped Sifton as a partner some of the earlier witnesses have said that the loss of the management partner was a circumstance which weighed against the Ellis-Don submission.

Mr. Candy: The loss of the early partner?

Mr. Shibley: Yes.

Mr. Candy: I don't recall hearing that but maybe they did, I don't know. I think the basic thing there was that in general ~~for~~ ^{for} Ellis-Don ~~was~~ there was a pretty big project for someone to start in in the development business with.

Mr. Shibley: All right, then on page 4, the middle ~~paragraph~~ paragraph, he says: "I realize this ~~great~~ ^{sketchy} brief description of the building is ~~sketchy~~ but we were specifically asked not to ~~go~~ go into detail on the building." You concur in that being the premise ^{for} the submission laid down for him? Is that correct?

Mr. Candy: Well, it depends on what he means by not going into detail. ~~that~~ ^{you} You can see by what goes through his submission here ~~that~~ ^{that} I have given him most of the information I talked about, ~~as~~ ^{that} as far as going into detail, I think, my interpretation of that is ~~that~~ ^{that} ~~sketchy~~ specifically refers to making up drawings or layouts of a building or designs for a building.

Mr. Shibley: Then as to financing at the bottom of page four, he says: "We were requested to state the rate at which we could borrow money. We have been given rates from 8 to 8%, and in our calculations have used eight and one-eighth per cent which we feel is logical. This rate could vary up or down one-eighth per cent depending on the money markets. The money would be raised through a private bond issue." Now, Mr. Candy, here again is a proposal where — am I not correct, ~~that~~ — the only reference to a fluctuation of interest rates is one relative to a ~~xxx~~ variation pending the making of the agreement, but that implicit throughout the submission is that once they ~~are~~ committed to a contract with Hydro, then for the whole term of 30 years there would be no change of rental based on a change of interest cost?

Mr. Candy: I am not sure I am with you. ~~I~~ Are you saying there that he is not saying ^{that} that the rate could vary up or down an eighth depending on the money markets ~~that this~~ — that this —

June 13/73
3.55 to 4.00 pm
DT

Mr. Shibley: He is talking about a variation pending the making of a deal.

Mr. Candy: Yes, pending the making of a deal but not subsequent to the making of a deal.

Mr. Shibley: That's right.

Mr. Candy: Yes, I think that's what he is talking about.

Mr. Shibley: And in terms of the rest of the proposal, on page 6, he sets out variable amounts for rental rates depending on the cost per square foot.

Mr. Candy: Yes.

Mr. Shibley: It is quite notable that based on \$26 ~~the~~ the rate would be \$4.46; at \$24 ~~the~~ it would be \$4.21; at \$22 ~~the~~ it would be ~~the~~ \$3.99..

Mr. Candy: That's right.

Mr. Shibley: So a variance of \$2 ~~the~~ a square foot on cost of a building of this size is very ~~meaningful~~ meaningful in terms of the rental rate. Is that correct? It is 25 cents a square foot difference, for example, between \$6 ~~the~~ and \$4 ~~the~~. On a million square feet that's \$250,000 per annum.

↓
(H-448 to follow)

June 13, 1973
400-4.05 pm
V.H.

(Mr. Shibley)

~~six and 128, on a million square foot block at \$250,000 per annum.~~

Mr. Candy: Yes.

Mr. Shibley: ^{Or let's} ~~take~~ take, the disparity of \$4 ^{between} ~~between~~ Horizon and Canada Square that would be a difference in rental of ~~about~~ ^{or} half million dollars a year? Is that correct?

Mr. Candy: That's right. ~~I think that kind of thing, these figures~~ I involved with the financial people fairly quickly after this and they ~~were~~ went into this kind of thing. My input into that was ~~the~~ ~~the~~ ~~the~~ questions they wanted from me ^{of} what they wanted to know about the building. As you will see from Mr. Deane and Mr. Mink, ~~these~~ these things were ^{examined} ~~involved~~ from a financial standpoint, I thought, fairly thoroughly, and I was depending on them to come up with these answers.

Mr. Shibley: Mr. Candy, after the initial submission by ~~the~~ Ellis-Don you asked them to submit on the alternative premises of increased rates? Is that correct?

Mr. Candy: Yes.

Mr. Shibley: And they did that by the letter of February 2nd, 1972, which ^{is} ~~was~~ part of the same exhibit. Is that right?

Mr. Candy: Part of this exhibit?

Mr. Shibley: Yes. The first page. They gave you ^{the} ~~that~~ rates at \$28 and \$30 a square foot.

Mr. Candy: Yes. ~~Yes.~~

Mr. Shibley: And they said they would pass on any savings on the building on a 75-25 basis in your favour...

Mr. Candy: Yes.

Mr. Shibley: ~~It~~ they could build it ^{for} less than \$28 or \$30, or whatever.

~~XXXXXXXX~~

June 13, 1973
4.00-4.05 pm
V.H.

Mr. Candy: That's² right.

Mr. Shibley: Is this not also the company that offered to have its books opened to you for audit and inspection at any time?

Mr. Candy: Yes. That's what it says here, yes.

Mr. Shibley: Then, also on February 2, you checked them out as to what was included, as you mention in exhibit 58, ~~and~~ Exhibit 59 was the letter from Smith to Gordon endorsed on ~~Exhibit~~ which was the "nothing to be gained by ^ameeting" ~~and~~ nd ~~the~~ ^{that} memorandum, ~~because~~ the matter is in the hands of the chairman," and so on. Is that correct?

Mr. Candy: ^{Yes,} ~~Yes.~~

Mr. Shibley: Then Mr. Sissons wrote to Mr. Bayley of Ellis-Don by letter of February 22, which is exhibit 60, and he said: "Please be assured that, ^{it's} as consideration of this matter moves forward, this ^would be of value, we will be in touch with Mr. Smith." In other words, if a meeting is of value, we will be in touch.

Mr. Candy: Yes. Yes.

Mr. Shibley: ^{What} I would like you to explain to this committee, Mr. Candy, is, in the circumstances of that kind of exchange with Ellis-Don, in the circumstance of not yet having received the Yolles ^{and} Rotenberg proposal for your University Avenue site, ~~how~~ how did you find it timely to compare your report and analysis of February 1, 1972, exhibit 62? Have you got that in front of you?

Mr. Candy: Yes, I know the one you mean. Well I just, as I said, I wanted to get the information ^{in that} ~~from~~ ~~what~~ I had. Don Smith was in the next day after that having sent that thing into the Chairman, and ~~what~~ ^{what} you are ~~saying~~ ^{saying} is, why didn't I wait til I got this ~~and~~ other information before I made an analysis, is that your question?

Mr. Shibley: It seems as though ^{is} of February 1, you were not anywhere near having the kind of complete information that would permit ^a report and ^a evaluation particularly,


June 13, 1973
4.00-4.05 pm
V.H.

(Mr. Shibley)

one that was being directed to the chairman of the commission,
which the report of February 1 is.

Mr. Candy: Well, when I sent it in I realized that
we had a lot of work to do on this thing. I wanted to report
just what I had received, but we took another five months
after ^{that} ~~we~~ going through this material, ~~and~~ I don't know, I
just ...

Mr. Shibley: I refer you again to page 10 of that
memorandum; ^{or} let's start back at page 8. ~~You will notice~~
~~that you get the same costs~~



H-449 follows

June 13, 1973
4.05 to 4.10
M.T.

H-449-1

(Mr. Shibley)

~~of that memorandum. Let's start back at page 8.~~ You notice you set out the rental cost per square foot, Ellis-Don is \$4.46, Y and R at \$4.70, because you were using the Eaton site ~~to~~ figure rather than the \$4.50 rate as for the University site. —

Mr. Candy: That's right.

Mr. Shibley: —Canada Square \$4.92, Horizon \$4.93. Is that a —

Mr. Chairman: Mr. Shibley, I wonder if Mr. Candy does ^{that} have before him? I see you leafing through pages there. Have you got the memorandum?

Mr. Candy: What is the number of that exhibit?

Mr. Chairman: It is exhibit 62 and it's a schedule —

Mr. Candy: Oh here it is.

Mr. Chairman: Have you got it now?

Mr. ~~Candy~~ ^{Shibley}: I have been looking at the schedules on page 8 and 9. I am down to the one on page 9. You put Horizon in at \$4.93, is that a correct figure?

Mr. Candy: Well, it proved to be not correct. ~~The only~~ ~~way~~ I thought about that, and the only way I could — where's Horizon's —

Mr. Chairman: It's the last one on that —

Mr. Candy: Yes, but on Horizon's proposal.

Mr. Bullbrook: I think that's 52, Mr. Candy.

Mr. Candy: Pardon?

Mr. Bullbrook: I think it's 52, if I am correct.

Mr. Candy: Yes, thanks. What I did there eventually ~~was~~ I took 1,040,000 square feet, ^{where} you see the "21-storey structure," ~~and~~ and ~~I assume~~ I read that several times, ~~and I assume that~~ It says: "1,040,000 square feet above grade, including space on the ground floor, together with other space for vault, storage, etc. in the basement. These areas are net areas measured in accordance with the American Standard of Measurement ~~and~~ and do not include mechanical areas, stairs, ducts, etc."

June 13, 1973
4.05 to 4.10
M.T.

H-449-2

(Mr. Candy)

So what I did was take that and divide that into the net lease, which is the \$3,680,856, and that gave me, I think, I had it on the side there, ~~there~~ \$3.53 to which I added ^{that} \$1.40.

Mr. Shibley: In your April 10 memorandum on page 30, you computed Horizon's proposed rate at \$4.46.

Mr. Candy: Yes, I know, and ~~there was~~ in the April 7 letter— is it April 7 from Horizon we have a letter ~~from Horizon~~ he said in there that his net lease would be between \$3.02 and \$3.06 depending on the amount of commercial space; and he said in there he was confirming that.

Mr. Shibley: Mr. Candy, you are referring to a document not yet exhibited. I produce to you a letter dated April 7, 1972, being the letter, I believe, you are referring to, from Horizon to yourself, which I ask to be made the next exhibit.

Mr. Candy: Yes, that's right.

Mr. Chairman: Exhibit No. 153.

Mr. Candy: This letter, this visit to Horizon at that time was a result of the memorandum that Mr. Mink wrote me indicating the extra information that he required.

Mr. Shibley: Yes.

Mr. Candy: Now it came up the other day that I had all these written * and ~~got~~ ^{got} information from Canada Square. But on April 4, Mink made a ~~report~~ ^{DRAFT} of that report in which he had certain information missing. On April 7, Mr. Mink and I had a meeting with Mr. Tatham in my office, and we also had a meeting with Mr. Zwig of Horizon in his office. And at that time, we filled in that missing information. And then ~~I~~ that was the time when I showed Mr. Zwig this memorandum of February 9. Now why I kept until then I really don't ~~have~~ have an explanation.

...Tape H-450 follows

June 13/73

4:10-4:15 pm

C.B.

(Mr. Candy)

~~this memorandum of February 9, now why I kept it~~
~~until then I really don't have an explanation.~~ But
 I did show it ^{to} him, I assume by the memorandum, it
 was then I showed it ^{to} him; I'm not positive of that,
 or whether he had it before, but I assume by that
 he had it then.

But then when he said "Confirm further ~~on~~ ^{that}
 the rental ^{for} the entire ^{building would} ~~be~~ ^{be} ~~between~~ \$302
 and \$306 per square foot ^{net}, Mr. Mink, I think, is
 much more familiar with that than I am, ~~and~~ I had
 assumed that Mr. Mink had gotten something from ~~them~~ ^{him}
 before that I didn't know; because I didn't really understand
 when I got this letter what he meant by this \$302 and \$306.

Mr. Shibley: So that what is in ^{the} February 1
 memorandum. ~~4.~~

Mr. Candy: Is not correct.

Mr. Shibley: Is not correct?

Mr. Candy: That is right.

Mr. Shibley: The corrected data on that memo would
^{Rare} ~~be~~ shown Ellis-Don at \$446, Y and R at \$450?

Mr. Candy: Well ^{it was} still ^{\$4.70} ~~same~~ on ~~February~~
 February 1.

Mr. Shibley: Dealing with the University
 Avenue ~~4.~~

Mr. Candy: But you've got to remember on
 that \$450, there is a hitch ⁱⁿ that. That was based
 on taking over our site on University Avenue. You
 see, they were going to take that property off our hands.

June 13/73

4:10 - 4:15 pm

C.B.

(Mr. Candy)

If you look at Y and R's ~~am~~ proposal, the second proposal,

Mr. Shibley: That is exhibit 55, Mr. Candy.

Mr. Candy: Fifty-five.

Mr. Shibley: I think you are looking for the fourth paragraph on the face page. It talks about a rental rate of \$450 per annum ~~and~~ what I can't understand ^{this goes on} ~~frankly is that~~ ^{"This"} compares with an effective rate of \$4. ~~on the ~~xxxxxx~~ ~~xxxx~~ Eaton's~~ site. I thought the rate on the Eaton's site was \$4.79 and this was \$4.50.

Mr. Candy: I know, I've read this since and I don't ~~what~~ ^{he} is talking about now, either.

Mr. Shibley: All right.

Mr. Candy: But there was something; ^{the} effective ^{rate} \$4 comparison ^{at its} on the Eaton site is due to reduction of 70 cents per square foot which arises from ^{the} sale of your site ~~at~~ \$7-million appraised value. You indicated this appraisal ^{was} made some time ago, ^{this} ~~that is~~ understanding ^{ably} if ^{its current} the ~~term~~ value is higher the effective rental ^{would} be further decreased by ^{the} ~~the~~ ⁹⁹ ~~the~~ ⁹⁹ So it had to do with ~~the~~

Mr. Shibley: Oh, yes, I see.

Mr. Candy: ~~the~~ the sale of that site some way, ~~and~~.

Mr. Shibley: NO, you've got it the other way around ^{the way} ~~now~~ ~~xxxxxx~~ I think what he saying is that the effective ~~the~~ rate for ~~the~~ Eaton's site would be \$4 after taking account of the fact that you would sell to them your site on University avenue for ~~the~~ \$7 million. So that the ~~the~~ rate at the Eaton's site would be \$4.70 before allowance for the sale of your site on University. And they were prepared to build on your site at University ~~for~~ \$4.50 a square foot overall rental rate, ^{is} is that correct?

Mr. Candy: Yes, I think that's right.

June 13/73

4:10-4:15 pm

C.B.


Mr. Shibley: So that going back to the February 1 analysis, the rates would be \$4.46 ^{for Ellis-Don;} \$4.50 for Yolles and Rotenberg; Canada Square \$4.92; Horizon \$4.46 on a more precise understanding of what they were intending. Is that correct?

Mr. Candy: Yes, this was based on their capital cost per square foot.

Mr. Shibley: Mr. Candy, ~~the~~ would it not be significant that Horizon and Ellis-Don were dead on, at \$4.46 per square foot; Yolles and Rotenberg was within 4 cents, at \$4.50 a square foot; so those three were grouped together at a cost, in ^{the} a case of two of them, equal; in the case of a third only 4 cents apart, and Canada Square was at \$4.9², which was a ^{meaningfully} ~~meaningfully~~ higher rate. Isn't that so?

Mr. Candy: It depends how you look at this. It depends on this capital cost of the building. I think that when you ~~see~~

Mr. Shibley: Just leaving the pro-rating bit out of it ^{for} ~~at~~ the moment; just dealing with the comparison rates. You've got three builder-developers here who are bunched together. ~~Would that not indicate that that was pretty much...~~



H 451 to follow

June 13, 1973
4.15 - 4.20 p.m.
M.R.

(Mr. Shibley)

~~...who are bunched together.~~ Would that not indicate that that was pretty much what should be a proper rate for this structure, bearing in mind ^{THAT} ~~you~~ you had three now?

Mr. Candy: Well, let's look at it this way.

The three that you are talking about — well, two of them anyhow, are developers who are in the speculative field. Canada Square are more in the custom field than the other people. Now you can buy a Datsun or you can buy a Buick and I think

Mr. Shibley: Careful. Mr. Allan is listening very carefully.

Mr. Candy: Does he have a Buick or a Datsun? But anyhow, —

Mr. Shibley: I think he wants to know why you wanted a Buick.

Mr. Candy: Well, we wanted a Buick because we wanted it to last.

Mr. Shibley: All right. They said that about the Edsel

Mr. Candy: But —

Mr. W. Hodgson: They wanted a better ride, Mr. Candy.

Mr. Candy: I think that you will find in the analysis of this one when you talk to Frank Mink and John Dean that there was some pretty good justification in looking at this thing. But basically, ~~you know~~ on the surface of it, looking at that — for instance, if you want to put an addition on your house and you go out and you get two or three builders to give you a price, —

Mr. Shibley: You are hitting a very sore point with me there.

Mr. Candy: All right. You get two or three builders to give you a price. Now after you get the prices — and you'll get all kinds of prices, — ~~now~~ they all say they will do a good job but what do you do? You go back to some guy that this guy has done something for and you ^{ask} ~~say~~ what kind of a builder ~~is~~ ^{is} he and he says ^{he} ~~on~~ he is a shyster, I wouldn't

June 13, 1973
4.15 - 4.20 p.m.
M.R.

(Mr. Candy)

touch him. He never gets on the job. He's never there and so on." ^{So you} ~~you~~ go to somebody else ^{who} ~~who~~ has a good reputation ^{who} ~~that~~ is going to do a good job, ^{who} ~~that~~ is going to come back and do things afterwards. You are willing to pay money to get that ~~1~~ guy because you know you are going to have fewer problems and you are going to have a much better job--and this happens over and ~~a~~ over again where people have gone to people.

Now I'm not saying that, and I don't want the press to put anything out that I said that Yolles and Rotenberg were shysters, so don't put that in there. I'm not saying that. But I'm just ~~pointing out~~ pointing out that ~~you~~ there are no giveaways-- you get what you pay for.

And I think when you go through this thing and when you go through this agreement of this thing, ~~in which~~ I hope you will agree with us that we are convinced that we've got a darned good deal with Canada Square, ~~and~~ I think that this is the judgement you've got to make in the ~~end~~ end as to who you are going to go with.

Mr. Allan: Mr. Chairman, I am just wondering if Mr. Candy would engage someone purely on his word that he would do a good job on his house.

Mr. Shibley: Yes, and it's....

Mr. Allan: You know, I think he would have a few requirements, a few specifications or something.

Mr. Candy: Well, let me answer that one. Before we engage/ somebody we did have an agreement that thick, which tied this thing down. We didn't hire this man without an agreement. We had this thing tied down but we ~~was~~ went through that negotiating stage.

Mr. Shibley: Mr. Candy, you didn't know Canada Square until you were introduced to them by Mr. Brooks or through Mr. Brooks' office, Isn't that so?

June 13, 1973
4.15 - 4.20 p.m.
M.R.

Mr. Candy: That's right. As I said, the only person I knew before that was Don Smith. I never knew Yolles and Rotenberg. I ^{had} never met Mr. Tatham in my life.

Mr. Shibley: You did know Don Smith?

Mr. Candy: Yes.

Mr. Shibley: And he had an excellent reputation with you for doing a good job?

Mr. Candy: As a contractor.

Mr. Shibley: And being a responsible contractor?

Mr. Candy: That's right. As a contractor.

But not as a developer.

Mr. Shibley: But you ~~had no~~ you weren't working on the basis of experience with Canada Square?,
~~XXXXXXXXXX~~ You were
~~XXXXXX~~ working on the basis of the experience of the OISE people with Canada Square.

Mr. Candy: Well, I was working on the basis of quite a number of things. I was impressed with Canada Square. I was impressed with their knowledge. I was impressed with their organization. And I was impressed with their enthusiasm ~~and I don't know~~. I just honestly thought that what I was doing was getting the best possible deal we could get for Hydro, and that was what I was out to get.

Mr. Shibley: ~~Returning to your memorandum of~~
~~February~~

H-452-1

~~What I was doing was getting the best possible deal possible for
for Hyde, and that is what I was out to get.~~

Mr. Shibley: Returning to your memorandum of February 1, 1972, again, on page 10, at the top of the page you make reference to;

"Rent per square foot per year, for higher class of building, as submitted by Canada Square Corporation, \$4.92." And you break out the cost that would be added to that figure. Then you go on and reference the submission by Canada Square of the set of design drawings. Did you intend by the content of page 10 of that memorandum, which is really a summation of it, to communicate to Mr. Gathercole the indication that you were favouring Canada Square as among these four submissions?

Mr. Candy: Not really. I've got to admit it looks that way, But what I was really trying to say in that thing was that I was trying to relate the \$34 to the \$26. And that is the reason ~~that~~ I had Ellis-Don in, to find out what he had in \$26.

Mr. Shibley: I notice that there is no figure per square foot of building for either Y and R or Horizon.

Mr. Candy: That's right. We didn't have it at that time.

Mr. Shibley: Again, that is ~~ex~~ what I find requires some explanation, Mr. Candy. How could you presume to make the report of February 1, and particularly that portion of it set out on page 10, without the particulars yet to be received, that I have mentioned, plus the particulars of the cost per square foot?

Mr. Candy: I never had any intentions that that was final by any means. This was a report as to what I had received.

Mr. Shibley: And yet, Mr. Candy, on February 26, there was a communication that there was no purpose in a follow-up meeting with Mr. Smith because the matter was in the chairman's hands. That's February 17.

McCallum:

Mr. ~~Smith~~ Whose letter is that?

Mr. Bullbrook: It is Mr. ~~Sissons~~ Sissons' memo.

Mr. Shibley: Exhibit 59, which is a letter from Smith to Gordon dated February 17, on which is endorsed a

H-452-2

(Mr. Shibley)

memorandum of Sissons:

"There is nothing to be gained by a meeting, _____
the matter is in the Chairman's hands".

Mr. Candy: _____ Of course, I had been talking to
Mr. Sissons. Mr. Sissons was sent a copy of my memorandum to
the chairman, by the chairman. He knew what we were doing. And
I think that in all good faith Mr. Sissons felt that we had the
information that we required.

Mr. Shibley: And yet you didn't have the information,
did you?

Mr. Candy: You mean from Ellis-Don?

MR. Shibley: From all four?

Mr. Candy: Not from all four. But he is referring here
particularly to Ellis-Don, don't you think?

Mr. Shibley: Oh I see.

Mr. Candy: He is just writing to Mr. Bayley, ~~you~~
You felt

Mr. Shibley: ~~You~~ had all that you needed from Ellis-Don?

Mr. Candy: Yes.

Mr. Shibley: You had a meeting with the chairman on
the 25th of January, Mr. Candy. What was the subject of that meeting?

Mr. Candy: I think the subject of that meeting was just
to tell him that I had these things and that I would be putting
it together and sending him a report on it.

Mr. Shibley: Nothing more?

Mr. Candy: No.

Mr. Shibley: What did he have to say to you?

Mr. Candy: Nothing very much. He just said, "All right."
I just wanted to report to him that I had these proposals and that
I would be doing that, and I think we discussed whether ~~we~~ I would
send them to him or not; I think he said I should send them to him

Mr. Renwick: Mr. Chairman, could Mr. Shibley tell me
whether we have any indication of the date that the memorandum
of February 1st from Mr. Candy to Mr. Gathercole was actually
received by Mr. Gathercole? It is dated February 1 in my copy, but
I don't have any indication when the chairman did receive it.

H-452-3

Mr. Shibley: We haven't, Mr. Renwick. I'll ask the witness. When you prepared this memorandum of February 1 — ~~first~~ of all, would it have been prepared as of that date?

Mr. Candy: Yes.

Mr. Shibley: And would you then have it delivered to the chairman's office?

Mr. Candy: No, I would mail it.

Mr. Shibley: You'd mail it?

Mr. Candy: Yes. That is, through our inter²office mail.
would

Mr. Shibley: When ~~he~~^{he}, in the normal course of your mailing process, receive it?

Mr. Candy: He'd either get it the same day or the next morning. Probably the same day.

Mr. Shibley: When you say "mailed," do you mean using the mails or do you have an internal~~ly~~

~~Mr. Candy: I would mail it.~~

H-453-1 follows

June 13/73
4.25-4.30 p.m.
E.M.

H-453-1

~~(Mr. Shibley)~~

~~You mean using the mails or do you have an internal~~

Mr. Candy: Oh no, inter-office mail, *that's all.*

Mr. Shibley: It would be delivered over.

Mr. Candy: Yes, it is picked up all the time.

Mr. Shibley: Did he respond to this memorandum in any way?

Mr. Candy: Not that I recall.

Mr. Shibley: Not in writing nor by calling you or discussing it or issuing any instruction?

Mr. Candy: No, not that I recall.

Mr. Renwick: Could I ask one other question in connection with that, Mr. Chairman?

Mr. Candy, did you have discussions— well, to whom did you send copies of this memorandum?

Mr. Candy: I didn't send copies to anybody.

Mr. Renwick: Nobody?

Mr. Candy: No. I left the chairman to distribute the copies.

Mr. Renwick: And do you recall during the month of February attending any meeting or having any discussions with the chairman or with anybody else about this memorandum?

Mr. Candy: No.

Mr. Renwick: And this memorandum is basically all your work?

Mr. Candy: That is ~~right~~ right.

Mr. Renwick: Thank you.

Mr. Shibley: Then the only other thing about that ~~the~~ memorandum, Mr. Candy, is that there is no suggestion of any pro-rating in that memo?

June 13/73
4.25-4.30 p.m.
E.M.

Mr. Candy: That is correct. This pro-rating is not my idea, ^{it} ~~that~~ is Frank Mink's.

Mr. Shibley: So we finally found out whose idea it was! All right.

Mr. Candy: He was down the other day and I confirmed it with him. He said, "That was my idea. Don't worry about it". And he still thinks it's a good one.

Mr. Shibley: So then, Mr. Candy, on March 9 you met with Mr. Dean, according to your diary?

Mr. Candy: Yes.

Mr. Shibley: What was the purpose of that meeting?

Mr. Candy: I ~~think~~ think to get started I had been in touch with Mr. Nastich and he had assigned Frank Mink and Dean to work on this information and that is ~~what I started~~ when I started to ^{get} ~~give them~~ the information to them so they could start analyzing it. I think this was part of the process of analyzing ^s these documents.

Mr. Shibley: I am sorry, did you give Mink your memo of February 1 to the chairman?

Mr. Candy: Oh, I couldn't tell you that now, but Mink had everything I had.

Mr. Shibley: Did you give him any history of dealing with the four developers? Between you and they?

Mr. Candy: ~~Now~~ I am sure I did. Because ~~what I~~ Frank Mink and I had a lot of discussions. That memorandum, at least that report, the latter part or most of that report, ~~he wrote~~ he wrote to me one time and asked me to write a preamble to the beginning of that thing and I have ^{the} that portion that he interjected ~~that~~ in the report, but he wrote all the financial part of that report and sent me a copy, a draft, so he was

June 13th, 1973

4.25 - 4.30 pm

AA

H 453 - 3

(Mr. Candy)

quite well versed in the whole thing.

Mr. Shibley: Isn't it a fact that on March 9th, Mr. Gathercole had memoed Mr. Sissons to prepare material for a commission meeting?

Mr. Candy: On March 9th?

Mr. Shibley: Yes.

Mr. Renwick: More important ~~than~~ than that, Mr. Shibley, this ^{was} the submission to the Premier and other members of the Cabinet, exhibit 34.

Mr. Shibley: Exhibit 34.

Mr. McCallum: ^{Do} you ~~have~~ you have exhibit 34, Mr. Shibley?

Mr. Shibley: Notice the reference in paragraph two, Mr. Candy. "I should like to make a submission to the Premier and other members of the Cabinet early in April." And it ~~was~~ is notable that that memorandum is also dated March 9th, so that on the day you met with Dean, the chairman had also issued a memorandum that he was looking for a submission to make to the Premier and other members of the Cabinet early in April.

Mr. Candy: I don't know. I suspect that this has to do with the production of that April 10th report, as far as I know.

Mr. Shibley: The point I am driving at, Mr. Candy, is that ~~you~~ you met with Dean for the first time on ~~March~~ March 9th to

H 454 - 1 follows

(~~Mr. Shibley~~)

~~You met with Dean for the first time on March 9~~ to get his assistance in an evaluation on an economic basis of these proposals. Isn't that so?

Mr. Candy: Well, that's all I have in my diary. Whether I met Frank Mink before that or not I don't know.

Mr. Shibley: You will notice Exhibit 34 also makes reference to that, "Thanks Henry" on the bottom. "K. Candy has asked us to help evaluate on economic basis."

So, on March 9, being the day you met with Mr. Dean, the chairman has called for a submission to be prepared and indications are you're asking for help to evaluate on an economic basis; and, in fact, you're meeting with Mr. Dean on that date. Is that correct?

Mr. Candy: Yes, that's all there, that's right.

Mr. Shibley: Now, do I take it that in the interval following February 1, 1971 to March 9, so far as Ellis - Don were concerned the ancillary information you ~~garnered~~ ^{which} garnered from them was that of February 2 ~~which~~ ^{we} we have just reviewed. Is that correct? And no other?

Mr. Candy: There is no other letter from Ellis-Don between those dates; that's right.

Mr. Shibley: None other than asking for a ^{follow-up} ~~meeting~~ meeting, and there is no point in an answer. That's right, isn't it?

Mr. Candy: Well, it looks right by this.

Mr. Shibley: And was there any follow-up with Horizon giving us any further information from them, between these dates, just up to March 9.

Mr. Candy: I would say "no" with Horizon.

Mr. Shibley: Was there any follow-up with Yolles ^{and} ~~Rotenberg~~ Rotenberg ~~xx~~ up to March 9?

Mr. Candy: Well, Yolles and Rotenberg of course was February 7, but I ~~had in Tatham~~ I remember Mr. Tatham being in the office when I showed him the specifications. That's where he read these specifications over that I had. I don't know, I'm at kind of a loss to fill in the gap there, but whether I had been working with Mink in that time or not I don't really recall.

↓

Mr. Shibley: Mr. Candy, to assist you, I have examined the notes of your diary, and it appears that in addition to your meeting with Dean on March 9, ~~you~~ you met with Mr. Nastich on March 13, with Mr. Mink on March 24, and then again with Mr. Nastich on March 28, the latter being an entry in his diary, I might say, not yours.

Mr. Candy: I see.

Mr. Shibley: ~~So~~ it appears that through the month of March you were consulting with Messrs. Mink and Nastich, twice with each. Is that correct?

Mr. Candy: Yes, I would say so.

Mr. Shibley: Well, what were you discussing with them?

Mr. Candy: Well, the examination of these proposals. That was all. ~~There is nothing else insofar as~~ there is nothing else insofar as Hydro that I know of that I would be talking to them about then; ~~and~~ it must have been with these proposals.

Mr. Shibley: Well, I refer you, Mr. Candy, to Exhibit 63, dated March 23, 1972. This is a memo from Nastich to Mink. This is the one where he says, "Our case must not only be solid but capable of being explained in simple terms... If this is not done, and public scrutiny does find that some part of our reasoning is not fully substantiated, the whole project becomes (and rightly so) suspect... I recommend that our substantiate report cover all relevant aspects and be looked upon in the same light as a lawyer's brief. I have asked Dean and Mink to meet with Candy to develop a report outline which meets the above objectives."

Now, I gather the report that he sort of had in mind ultimately found its form in the report of April 10. Isn't that so?

Mr. Candy: That's quite possible - I don't think so.

Mr. Shibley: ~~And then he outlined certain things that~~ could be examined

(Tape H455 follows)

H - 455 - 1

Chairman: Mr. MacBeth

(~~Mr. Shibley~~)

Shibley:

and then he outlined certain things that could be examined into. Then, similarly, ^{for} exhibit 64 on March 27th, Mink to Candy, ~~he~~ ^{and} talks about the text ~~of~~ documentation for inclusion in the report and that he would forward a preliminary draft ~~and~~ ^{he} talked of providing a more comprehensive picture of the submissions made by the various suppliers. ^{He says,} "Could you please obtain the following". Now at this point in time, Mr. Candy, is Mr. Mink working on the submissions of the four developers submitted to you on or before January 24, 1972?

Mr. Candy: Oh, yes, definitely.

Mr. Shibley: Yes, and nothing more from that. Is that right?

Mr. Candy: Yes.

Mr. Shibley: So that as late as March 27 there has been ^{no} ~~was~~ follow-up on what was intended to be ^{only} ~~the~~ preliminary submissions of these four developers. Isn't that so?

Mr. Candy: ~~Well~~ I find that hard to believe. If Mink walks into my office, I have no record of this. I have no record really of what my ~~---~~ I can remember spending quite a bit of time with Mink, but I don't think these things ~~-----~~

Mr. Shibley: Mr. Candy, I am putting the question to you on the basis of my own examination of your diary entries and those of Mr. ~~Mr.~~ Nastich and of other people - I haven't got everybody's diary entries yet, I put it to you that as late as March 27, two weeks before the April 10th submission, there really was no follow-up ^{with} any of the developers. Isn't that so?

Mr. Candy: What date was ~~-----~~?

Mr Shibley: I will give you a run-down of the attendances that I have noted, including supplementary ones I have endorsed on a chronology here. On January 25th you met with the chairman; on February 1 you met with Don Smith of Ellis-Don; on February 7, you met with Uiska of Yolles and

June 13, 1973
4.35-4.40 p.m.
M.F.

H - 455 - 2

(Mr. Shibley)

Rotenberg, that was referable to their second submission; on March 9 you met with Dean; on March 13 you met with Nastich; on March 24 you met with Mink and on March 28th you met with Nastich again.

There ^{was} ~~no~~ follow-up with anyone. And on March 30, I met you, you met with Mr. Moog - I will be coming to that meeting in a second. But, in fact, right down to March 27, which is the date I am down to now, you still hadn't done any follow-up on submissions that you characterized as being intended to be preliminary in nature only. Isn't that so?

Mr. Candy: I don't know, ~~it~~ appears so there, but I think that ~~-----~~

Mr. Shibley: I am still trying, with Mr. Allan, to find out how this decision was finally going to be made, Mr. Candy. By March 27th you hadn't followed up in terms of filling out your information or going back to these developers and saying, "Here is more information referable to the building; here are plans, specifications, or anything else, as of that late date."

Mr. Candy: Oh, I had been back, ~~now~~ somewhere in there I had been back to Tatham, I had been to Ellis-Don with that spec; I had been to Tatham, and I wrote -- you saw the letter there -- to Canada Square; and ~~on~~ April 7th, I guess, was when I went back to Horizon.

Mr. Shibley: We will get to April in a moment. The only letter of communication, Mr. Candy, of the written specifications was the one I produced, namely, your letter to Canada Square enclosing them. Did you similarly write to the other developers in February?

Mr. Candy: No, because I had seen Ellis-Don and I had seen Tatham.

Mr. Shibley: And you just handed them the written submissions?

Mr. Candy: That is right.

June 13/73
4:40 - 4:45 pm.
M.S.

(Mr. Candy)

~~Mr. Candy:~~

~~Mr. Shibley: And you just handed them the
written submission?~~

Mr. Candy: That's right.

Mr. Shibley: And those really didn't add
anything to what they'd been told verbally?

Mr. Candy: That's right. They assured me that
they had included everything that was in that. Now, why I did
not go to Horizon until April 7, I really haven't got an answer
to that. I'm not sure.

Mr. Shibley: Well now, then you met with Mr.
Moog on March 30, and I remind^{you} that you've now had four meetings
with financial people in your organization.

Mr. Candy: Yes.

Mr. Shibley: Did your meeting with Mr. Moog on
March 30 have anything to do with the information to be contained
in the report that was now forming up, and which ultimately became
the report of April 10?

Mr. Candy: No, I'm sure it didn't. Somewhere
along the line there is when I found out ~~==~~ and I don't know if
it was at that meeting, that his \$4.92 was a fixed rate regardless
of the change in interest rates. But I have an idea that that was
later than that. I'm sure that that report, ~~no~~ if you have ~~....~~

Mr. Chairman: While you're looking for that, Mr.
Candy, we'll take a ten-minute recess.

The committee took recess for 10 minutes.

Tape H 457 follows

June 13th, 1973

4.55 = 5 pm

H 457 - 1

AA

(Mr. Chairman)

Mr. Chairman: Ladies and gentlemen, I call the meeting to order, Mr. Shibley.

Mr. Shibley: Mr. Candy, I had reached a point of asking you about a meeting on the 30th of March, 1972, with Mr. Moog in his office, ~~and~~ I want to know what was the purpose of that particular meeting. Do you have any memory ~~of that meeting~~ of what transpired?

Mr. Candy: I don't have any memory of what transpired at that meeting.

Mr. Shibley: Well, did it have to do with any of the information required by the financial people with whom you had been meeting throughout March of 1972?

Mr. Candy: What is the date of the letter that I got back from Mr. Moog? Isn't there a letter ~~from~~ from Mr. Moog in reply to my letter to him?

Mr. McCallum: Do you have both 64 and 65 there?

Mr. Bullbrook: Do you want to ~~continue with~~ *give him another copy?*

Mr. McCallum: No, I think he should have them both. *They're referred to in the* ~~this is the one~~ *I'm trying to find the other.* ~~the one but I think he has the one.~~ *That's*
Mr. Chairman: Is it something that is already in as an exhibit Mr. McCallum?

Mr. McCallum: Yes, 64 and 65. He has 64 in front of him but doesn't seem to have 65.

Mr. Chairman: Well, we can soon rectify that, I think.

Mr. McCallum: 65 is a memo for file.

Mr. Chairman: ~~Is that what you are looking for~~
Mr. Candy/Candy?

Mr. Candy: ~~Yes, thank you.~~

June 13, 1973
5.00-5.05 pm
V.H.

CHAIRMAN: MACBETH

Mr. Chairman: Is that what you are looking for,
Mr. Candy?

Mr. Candy: Oh, yes. ~~Yes~~. Thank you. I guess
that memorandum is the answer to your question.

Mr. Shibley: So what you did was compile financial
information required by the financial staff at Hydro, incor-
porated ^{it} in a memorandum of March 30, being the same ^{date} you had
your meeting with Mr. Moog, and, I presume, ultimately incor-
porated in the memorandum of April 10, which was intended
for the Premier and the Cabinet? Is that correct?

Mr. Candy: Yes. ~~Yes~~.

Mr. Shibley: All of this effort throughout March
of 1972 was ^a ~~the~~ product of the directive of the chairman
that he wanted a submission compiled which was to be submitted
to the Premier and Cabinet, I think he said within the next
month.

Mr. Renwick: Early in April.

Mr. Shibley: EARLY in April. ~~Early~~

Mr. Candy: Well, yes. I am not familiar with that.
The only thing I know is that ~~when he left~~, before he left
for Japan, he had the ~~most~~ report of April 10 and I discussed
that with him before he left.

Mr. Shibley: Mr. Candy, did you discuss anything
further with Mr. Moog at your meeting of March 30, in terms
of the content to ~~be~~ be included in the April 10 memo-
randum?

Mr. Candy: I would say not. I never discussed
with any other developer or anyone -- I never discussed any
other developer with a particular developer at any time.

Mr. Shibley: I am producing to you a memorandum,
which is undated, styled "Proposed Consolidation of Ontario
Hydro Space Requirements" and ask whether you have ever
seen this document and if you can assist us to identify
the person who compiled it.

June 13, 1973
5.00-5.05 pm
V.H.

Mr. R.G. Hodgson: Would this be 154?

Mr. Shibley: Hold on a minute .

Mr. Candy: I don't recall having seen this.

Mr. Shibley: I am told that the original of this document has ~~on the upper~~, on one upper corner of it the words-and it doesn't come through even on my copy-"Draft. March 28, 1972, JAB". Have your people within Hydro yet identified ^{fi} who "JAB" is?

Mr. Candy: Yes. JAB is Jim ~~Bradshaw~~ ^{Bradshaw}, who is the lawyer for Canada Square, and the next initials ^{are} "KRC", ^{who} ~~which~~ is K.R. Cooper.

Mr. Shibley: ^{Who} ~~What~~ is the ~~any~~?

Mr. Candy: Architect.

Mr. Shibley: For Canada Square?

Mr. Candy: Yes. That's correct.

Mr. Shibley: Have you ascertained that this document ~~was~~ was drafted by these gentlemen?

Mr. Candy: Well, ^{inquire} in the light of this ^{we} we looked at this the other night and we ^{were} ~~are~~ trying to decide ^{what} and that's my understanding.

~~Mr. Shibley: I take it that Hydro received this document on or about March 28, 1972~~

H-459 follows

Q I take it that Hydro received this document on or about March 28, 1972. Is that correct?

Mr. Shibley: Do you know the circumstances surrounding
creation of this document?

Mr. Shibley: Do you appreciate that certain portions of this document—I am talking now in ~~the~~ terms of content rather than precise wording—bears a similarity to content in your report with Mr. Mink of April 10?

Mr. Candy: March 28. Well, the information that I submitted to Mr. Mink¹ I think you ~~have~~ have there ~~any~~.

Mr. Candy: The information that Mr. Mink asked me for that I supplied to him to put in the report of April 10, I think is dated March 24, isn't it? No, April 4. April 4 is my memorandum to Mr. Mink.

I know it says 'draft, March 28.' Did you receive it on March 30?

When you visited Mr. Moog?

Mr. Shibley: Well, it is in Hydro's possession and it was produced out of your documents so I take it that it was delivered to

June 13/73
5:05-5:10 pm
PLG

(Mr. Shibley)

you. Can we accept that as a circumstance, Mr. McCallum?

Mr. McCallum: Yes, you can. I don't know how it got there, but it was found in Mr. Candy's file, this document.

Mr. Shibley: And it is marked — the original I take it, ^{JAB}
Mr. McCallum is marked "draft, March 28, 1972, ~~xxx~~"?

Mr. McCallum: Yes Sir, you are correct.

Mr. Chairman: I don't think we have yet necessarily established ~~that~~ that Mr. Candy ~~is~~ has seen it.

Mr. Shibley: Mr. Candy, it is said to have been found in your file, Have you seen this document before?

Mr. Candy: Well, I don't recognize it, but if it was in my file I guess it was there, But it looks like a —

Mr. Shibley: Would you look at the hand-written notes, ^{ad}
~~appendix~~ to the typed portion of the document? ^A Actually it is about mid-way into it.

Mr. Candy: You mean this piece on the back here?

Mr. Shibley: Well, there are some hand-written notes on the sixth page and then some editing has gone on ~~in~~ ^{and there are} some further hand-written notes at the very end. Do you recognize that hand-writing?

Tape H 460 follows

June 13, 1973
5.10-5.15 p.m.
B.A.

H-460-1

~~CHAIRMAN: MR. MAGRETH~~

(Mr. Shibley)

~~on the sixth page, and then some editing has gone on and some further handwritten notes at the very end. Do you recognize that handwriting?~~

Mr. Candy: ~~No~~ No, I don't. That is not my writing.

Mr. Deans: Are you talking about this one here?

Mr. Shibley: Yes.

Mr. Candy: That is not my writing, Mr. Shibley.

Mr. Shibley: All right. Maybe we will have to ask Mr. Bradshaw or Mr. Cooper about the documents, but at the moment I am interested in knowing the circumstances surrounding the delivery to Hydro of a document prepared by ~~the~~ Canada Square's solicitor and architect, drafted on March 28th, 1972.

~~Mr. Chairman: I don't think that's Hydro's solicitor~~

~~Mr. Shibley: I am sorry, Canada Square's solicitor and architect on March 28, 1972~~

Mr. Candy: I would be quite prepared to say that that had nothing to do with my April 10 report, the ~~stuff~~ stuff I wrote on that. I think this, if it came, was in my files, as some kind of a promotional scheme by Canada Square.

Mr. Shibley: I see.

Mr. Candy: That is about all I ^{can} say about it.

Mr. Shibley: Did Canada Square know that you were under instructions during the month of March to ^{compile a} ~~file~~ the report which was ultimately the report of April 10?

Mr. Candy: ^{Not} So far as I know. I don't know why I would ever tell them that. You can ask them that, but I wouldn't know why they would know that.

Mr. Shibley: You will agree with me that this memorandum was prepared expressly for your purpose ^{because} ~~because~~ it starts off, "Although Ontario Hydro is actively engaged in the

June 13, 1973

5.10-5.15p.m.

B.A

~~(Mr. Shibley)~~

construction field..." etc. Would you agree with me that it is clearly designed for your eyes, so to speak?

Mr. Candy: It certainly looks like it. It is designed for Hydro, yes.

Mr. Shibley: You don't have any knowledge or information to assist us in -

Mr. Candy: No, I don't have any knowledge as to why it was written.

Mr. Shibley: The reason ~~was~~ I elected to ask you about it, Mr. Candy, is that I had understood previously it was found in your files, and I would have thought you would be the one who would know.

Mr. Candy: No, quite honestly, I don't know. If they say it was found in my file, then it was in my file; that is all I can say.

Mr. Shibley: Then, your next attendance, in your diary, Mr. Candy, is one on April 5th, on which day you had a meeting with Mr. Mink again. Is that right? So the sequence, to this point, following receipt of these preliminary submissions is, throughout March you had a series of four meetings with ~~Boon and Nastich~~ Nastich and Mink. You met then with Mr. Moog on the 30th, you compiled a memorandum on that date referable to certain data you received ~~from~~ from him, and then you had a meeting with Mr. Mink on April 5. Is that correct?

Mr. Candy: If that is what it says there. I haven't got it here, but I ~~am~~

Mr. Shibley: I am looking at my own chronology, Mr. Candy. Wasn't that the next ^{step} ~~step~~ taken?

Mr. Candy: Yes, because ~~---~~ I don't know whether or not you have this draft of April 4th of Frank Mink's.

Mr. Shibley: I am not sure I have either, Mr. Candy.

Mr. Candy: This is what Frank Mink wrote, and this is what we used at the meeting with Mr. Tatham and Horizon on April 7th

June 13, 1973
5.10-5.15p.m.
B.A.

H-460-3

to fill in the missing information.

Mr. Shibley: So, the sequence, then was one of
your meetings with the financial people through March, a meeting
with Mr. Moog on March 30th, a memo of yours to Mr. Mink on
March 30th, a draft by Mr. Mink on April 4th.

~~Mr. Shibley: April 4th.~~

(Tape H-461 follows)

June 13/73
5:15 - 5:20 pm.
M.S.

(Mr. Shibley)

~~March 30, a memo of yours to Mr. Mink on March 30, a draft by
Mr. Mink on April 4.~~

Mr. Candy: April 4.

Mr. Shibley: ^{and a} meeting between you and Mr. Mink
on April 5. Was that to review the draft?

Mr. Candy: I imagine it was, because I notice
in this draft I've done a bit ^{of} editing in here and kept changing
"lease-back" to "lease-purchase".

Mr. Shibley: Yes. Now, up to April 5, on which
date the draft of the April 10 memorandum was compiled, you had
not gone ~~back~~ back to Mr. Zwig of Horizon. Isn't that so?

Mr. Candy: Up till April 5?

Mr. Shibley: Yes.

Mr. Candy: Yes, I think that's right.

Mr. Shibley: Neither had you gone back to Yolles
and Rotenberg yet?

Mr. Candy: Well, I don't know about that. I
think when Mr. Tatham ^{is} ~~was~~ in here you could ask him, but Mr. Tatham

Mr. Shibley: You met with Mr. Tatham on April 7,
Mr. Candy.

Mr. Candy: Yes, we met with him on April 7.

Mr. Shibley: So that as of the date you were
drafting your material for the April 10 memorandum, you had not
yet followed through with either Horizon nor with Yolles and
Rotenberg, and you'd stopped communicating with Ellis-Don in
February. Isn't that so?

Mr. Candy: That's what appears from the records.
Now, whether ~~and~~ and I'm not hiding behind a telephone ~~but~~, but whether
I talked to them on the phone or not, I don't know. I know that
any time I wanted to get in touch with Ellis-Don, I never phoned
London. I phoned his Toronto office and ^{then} he would call me. But ~~and~~

Mr. Shibley: Mr. Candy, I just want to interrupt
you for a moment. You're in the throes of fulfilling a directive

June 13/73
5:15 - 5:20 pm.
M.S.

(Mr. Shibley)

from the chairman, on March 9, to prepare a submission that's going to the Premier and to cabinet. Now, this has become a very intense exercise on that account, has it not?

Mr. Candy: Yes.

Mr. Shibley: Yes. Your financial people are working very hard on this now, very intensely.

Mr. Candy: Yes.

Mr. Shibley: So are you. Isn't that so?

Mr. Candy: That's right.

Mr. Shibley: To the extent that you were compiling the memorandum of April 10, the attendances of March, therefore, would be very significant, wouldn't they?

Mr. Candy: You mean the meetings in March with the financial people?

Mr. Shibley: With anyone.

Mr. Candy: Yes, I would think so.

Mr. Shibley: And the absence of meetings with others might be also significant. Would you agree with me as to that?

Mr. Candy: Well, when you say significant, this is a ~~an~~ I think that in the memorandum from Mr. Mink to me, pointing out the information that was missing, having received that, I did something about it. I think that, as I say, this whole draft that's here, which is Mr. Mink's part of this thing, is all the financial ~~analysis~~ analysis of this situation. You can't find that up there?

Mr. Shibley: No, I haven't the draft and I'd be very interested to have a copy of it, Mr. Candy.

Mr. Candy: Yes, fine. We'll let you have one. I don't know, I think that during that month of March I was depending a lot on the financial people in making their analysis. And then I hear from Mr. Mink that he wants some information, so I do something about it.

June 13/73
5:15 - 5:20 pm.
M.S.

Mr. Shibley: But the only party that you attended upon before his first draft of ~~March 30, 1973~~ April 5, ~~1973~~ was Mr. Moog. And the only developer respecting whom you provided information by memorandum to Mr. Mink, prior to that draft, was relative to Canada Square.

Mr. Candy: Yes. Now, the memorandum that I sent relative to Canada Square, which is this memorandum of March 30, as a result of a meeting there, now that's quite coincident with the meeting with Horizon and Y and R, which both Mr. Mink and I attended to ~~get the information~~ fill in the information. So that, this is in a memorandum to Mr. Mink. This is in this report here which Mr. Mink had sent me, which has the missing information which has been filled in, in pencil, as a result of our discussions with both Horizon and ~~Mr. Mink~~

Tape H 462 follows

June 13/73
5.20 to 5.25 pm
fvk

(Mr. Candy)

~~.....which has been filled in in pencil as a result of our~~
~~discussions with both Horizon and Y&R.~~ I was checking this to
see— and this you can take my word for—it ^{is} exactly the ~~a~~ way
it was before. There's been no change in it. ^B But it was ~~xxxx~~
through that that Mr. Mink then, and I, completed the report of
April 10.

Mr. Shibley: Just going back again to the draft memo
of March 28 compiled by Mr. Bradshaw and Mr. Cooper, was it
coincidental, or was it relevant, that this memo was received
in your hands on or about the time of the compilation of the
memorandum of April 10?

Mr. Candy: I really think it's coincidental. I can't
imagine asking them to prepare information that I'm going to
put in a report. This report that I have written; I think it's
pretty hard to relate with what is said in there.

Mr. Shibley: Mr. Chairman, ~~we~~ I'll be calling Mr.
Bradshaw in any event but ^{I'd} like ^{the} ~~xxxx~~ document ^{to be} ~~you~~ made an
exhibit at this time, ^{It} has been referred to at length—

Mr. Chairman: Mr. McCallum, I gather you're quite
content that this should go in as an exhibit.

Mr. McCallum: Yes, sir.

Mr. Chairman: Exhibit number 154.

Mr. Shibley: The n, to complete the ~~xxx~~ picture with
respect to the April 10 ~~xxxxxx~~ submission, you did get together,
you said, on April 7 with Mr. Tatham of Y&R.

Mr. Candy: Yes.

Mr. Shibley: What was discussed between you on that
date?

Mr. Candy: In here we have indicated their capital
cost of the building, ^{it} ~~which~~ is indicated here in this copy that
I have here. It had been printed out but what I've added was
added in pencil on this to fill in the missing information.

Mr. Shibley: So when we get that ~~xxxx~~ draft it will indicate
the ~~that~~ supplementary information received from Yolles and Rotenberg

June 13/73
5.20 to 5.25 pm
fvk

(Mr. Shibley)

on the 7th?

Mr. Candy: That is correct. That's right--and ~~the~~ Horizon supplementary

Mr. Shibley: And similarly, the ~~supplementary~~ information from Horizon?

Mr. Candy: That's correct.

Mr. Shibley: Was there any supplementary data elicited from or, in any way, obtained from Ellis-Don?

Mr. Candy: No, ~~now~~ Ellis-Don, we had all the information through here.

Mr. Shibley: Mr. Candy, was the situation as at the time of the April 10 memorandum this, that the proposals of ~~January~~ January of the four developers, which were originally intended to be preliminary in nature, had, subject only to the supplementary data you were receiving within days of the preparation of the final report, become really the final ~~proposals~~ proposals of those developers?

Mr. Candy: This is what we based ~~the decision on~~ our final decision on, plus the ~~final~~ judgement that we made of these particular ~~people~~ people.

Mr. Shibley: That's what Mr. Allan and other members of the committee want to know; On what ^{basis} ~~base~~ did you make your decision? ^{and} I take it then that the decision was now to be made on the basis of the proposals submitted in January, supplemented by the information you obtained in early April, just before the report was compiled. Is that so?

Mr. Candy: Yes, it was based on what we had ~~gathered~~ gathered and what we knew of these developers.

Mr. Shibley: What you ^{had} gathered? You ^{had} gathered nothing external to your own financial department. Is that not so?

Mr. Candy: We had gathered more information here on April 4th ~~to~~ March 30th.

Mr. Shibley: That's what I said. I predicated my question on that.

Mr. Candy: Yes.

H-462-3

June 13/73
5.20 to 5.25 pm
fvk

Mr. Shibley: The only information that you obtained from the developers was that which you obtained in early April the only supplementary input from them. Is that correct?

(Tape H-463 follows)

June 13/73
5.25 - 5.30 p.m.
R.E.S.

H-463 - 1

~~(Mr. Shibley)~~

~~...was that which you obtained in early April. That is the only supplementary input from them. Is that correct?~~

Mr. Candy: Well, except what I gained from Ellis-Don on February 2, that information.

Mr. Shibley: Yes, yes. And the second submission of February 7 by Yolles^{and} Rotenberg.

Mr. Candy: Yolles^{and} Rotenberg.

Mr. Shibley: Yes. So what had been intended to be preliminary proposals really became the final proposals?

Mr. Candy: Well, they became the vehicle for deciding who we would negotiate with.

Mr. Shibley: That's what I mean. They became the vehicle for deciding?

Mr. Candy: Yes.

Mr. Shibley: And you never did submit to them anything more specific in terms of plans, drawings, specifications than they had been given prior to the submission of those preliminary proposals?

Mr. Candy: NO.

Mr. Shibley: Isn't that so?

Mr. Candy: Prior to the submission?

Mr. Shibley: ^{Of} ~~that~~ those preliminaries?

Mr. Candy: Well, after the submission we did submit to them the printed document of the ~~effect~~ ^{have}

Mr. Shibley: But you ^{have} said repeatedly that they added nothing to what you'd already told them verbally.

Mr. Candy: Yes, well, that's right, They assured me that what was in that they had included. That was correct.

Mr. Shibley: So that the committee understands it, those proposals were predicated ~~on~~ upon verbal specification when you submitted the same specifications in written form, they really added nothing to what had been verbally communicated

Mr. Candy: That's right.

Mr. Shibley: ^{to} and at no time, down ^{to} the preparation

June 13/73
5.25 - 5.30 pm.
R.E.S.

H-463 - 2

(Mr. Shibley)

of the April 10 memorandum intended for the Cabinet, was there any further specification distributed or communicated to ~~the~~^{THE} developers, isn't that so?

Mr. Candy: Yes, I would say so.

Mr. Shibley: Now, on April 10, Mr. Candy, which is the date of the final report, and in which report you made your recommendations, you and Mr. Mink jointly made a recommendation ~~in favour of Canada Square~~.

Mr. Candy: Yes.

Mr. Shibley: ~~in favour~~ of Canada Square?

Mr. Candy: NO, not really. We said Horizon or Canada Square in that report, was our recommendation.

Mr. Shibley: ^{Oh,} All right. Was your mind still open on that date as to which of the two developers you were going to choose from?

MR. Candy: I would think so at that date. I thought that in that report, you'll notice in there we mentioned about the drawings from Canada Square, ~~and I thought~~ we were even critical of ourselves, to some extent, and I thought it was a pretty comprehensive statement on the thing, ~~and~~ I don't think we said anything in that report we didn't mean.

Mr. Shibley: On April 10 your diary indicates that you again visited Mr. Moog at his office.

Mr. Candy: On April 10?

Mr. Shibley: Yes. At 10 ~~00~~ o'clock in the morning. Do you remember that visit?

Mr. Candy: NO, I can't say I do.

Mr. Shibley: Did you have a draft of your April 10 memorandum with you when you visited Mr. Moog that morning?

Mr. Candy: I never took a draft of my memorandum with me, and this April 10 report was printed by Mr. Mink, not by me, and then he sent me a copy, and I doubt that I even had that on April 10 myself.

H-463 - 3

Mr. Shibley: You received the draft of April 5 from Mr. Mink, did you not?

MR. Candy: Of April 4, yes.

Mr. Shibley: April 4?

MR. Candy: Yes.

Mr. Shibley: And you made your amendments or suggested ^{ed} changes to it?

Mr. Candy: Yes.

Mr. Shibley: And ~~that~~ sent it back to him?

Mr. Candy: Yes.

Mr. Shibley: Now, on April 10, did you receive Mr. Mink's further draft?

Candy:

Mr. ~~Shibley~~: I would doubt it because it is dated April 10; it had to be printed, and I didn't arrange any of the printing. He arranged all ~~that~~ and then when it was finished, he distributed the copies, not I, and I would doubt very much that I had that. In fact, I ~~say~~

Mr. Shibley: Mr. Candy, your diary also indicates that at 2 ~~00~~ o'clock on April 10 you had a meeting with Mr. Mink. Was that referable to the April 10 memorandum?

Mr. Candy: Boy, I don't know!

Mr. Shibley: I beg your pardon?

Mr. Candy: I'm sorry, I just ~~don't~~ don't know.

I don't know what that ~~one~~ was about.

Well, again,

Mr. Shibley: Mr. Candy, I want the committee to understand what you were doing on April 10, first in terms of your visit with Mr. Moog at 10 ~~00~~ o'clock that morning, ~~say~~

Mr. Candy: Yes.

Mr. Shibley: ~~say~~ and secondly, with respect to the conference you had with Mr. Mink at 2 ~~00~~ o'clock that ~~morning~~ ^{day}, being, of course, of interest because on the same date, this report of April 10 was finalized....

(Tape H-464 - 1 follows)

June 13/73

5:30-5:35 pm

C.B.

~~(Mr. Shibley)~~~~same date this reported April 10 was finalized.~~

Mr. Candy: I don't know, ^I in the finalizing of the report, ~~my~~ ^{and} my portion of that was dated April 4, which I sent to Mr. Mink or gave to him ^{and} which he included as part of this and put it in where he thought it should be, ~~and~~ I think he split it up a little bit; added it to that, ^{the} He arranged for ^a printing ~~and~~ I would doubt very much that that report dated April 10 - I mean, ^{I think} it would be ~~dated~~ ^{written} the date it was sent to be printed, ~~and~~ It has got to be printed and bound ~~and~~ what I was talking to Mr. Moog about on April 10, I don't know.

Mr. Shibley: Mr. Candy, wouldn't it be the most normal thing to conclude that on April 10 a very prominent item in your thinking was ~~the~~ the report that you were compiling on the directive of the chairman for the eyes of the Premier and the cabinet? Wouldn't that be the most salient thing in your thinking that day?

Mr. Candy: It is quite possible. We were not, as far as I was concerned, ^{on} ~~and~~ this business of preparing it for the Premier and the cabinet, I was preparing it for the commission. This preparing it for the Premier, I have ~~no~~ jurisdiction or control ~~xxxx~~ - I see in some memorandum here where it was asked to be so ^{that} that it could be presented to them, but ~~that was~~ ^{it was} ~~xxxx~~ ^{xxxx}

Mr. Shibley: That was the chairman's memorandum to you at that time?

Mr. Candy: ^{where it was going} ~~from there~~

June 13/73

5:30-5:35 pm

C.B.

(Mr. Candy)

As I say all I received was one copy, I didn't even distribute it myself.

Mr. Shibley: ^{Do you think you could help} ~~Would you please tell~~ the committee as to what you were discussing ^{no} with Mr. Moog that morning or Mr. Mink that afternoon?

Mr. Candy: I'm afraid not, I wish I could, but I'm afraid I can't.

Mr. Shibley: In your memorandum of May 10, I'm talking about the memorandum jointly compiled by yourself and Mr. Mink, this is when the pro-rating

Mr. Renwick: Mr. Chairman, could I interrupt to go back on that point, I wasn't quite clear with Mr. Candy about it. The Exhibit number 34, I think, Mr. Shibley, you said that was from the chairman to Mr. Candy and it wasn't. Exhibit 34 was the memorandum ^{to} ~~from~~ Mr. Sissons ^{from} ~~to~~ Mr. Gathercole...

Mr. Shibley: I'm sorry it was from the chairman to Mr. Sissons; that's right.

Mr. Renwick: Yes, it is in that memorandum that Mr. Gathercole refers to the submission to the Premier, and Mr. Candy is referred to by way of notes. Just to ~~xx~~ clarify this in my own mind, for what purpose were you ^{carrying} ~~carried~~ along with Mr. Mink, the memorandum of April 10? ~~NEWXXXXXXXXXXXX~~

Mr. Shibley: Mr. Candy, would you speak into the Mike, we can't ^{hear} ~~hear~~ you.

Mr. Candy: Oh sorry - For the commission.

Mr. Renwick: I just want to be clear about this, The Chairman's memorandum to Mr. Sissons was that

June 13/73

5:30-5:35 pm


C.B.

(Mr. Renwick)

he was going to make a submission to the Premier early in April. At one point in the course of your evidence you interjected a comment that it ~~was~~ was for the chairman because he was going to Japan.

Mr. Candy: Well, let me clear that up. ~~That~~

~~He~~ I don't know when the chairman arranged the ~~visit~~ ^{visit} to Japan, but all I'm saying is that before he went to Japan ~~I remember him asking me some questions about the report...~~



H465 to follow

June 13/73
5.35 to 5.40 pm
DT

(Mr. Candy)

I arranged the meeting to Japan but all I am saying is that before he went to Japan, I remember him asking me some questions about the report because he was going to take it with him and talk to Mr. McKeough about it on the trip to Japan.

Mr. Renwick: Did you have any knowledge of the existence of exhibit number 34, that is the memorandum from the chairman to Mr. Sissons with respect to the submission for the Premier?

Mr. Candy: No, I had no knowledge of that, Mr. Renwick.

Mr. Renwick: But you knew that the chairman wished to take it with him to Japan?

Mr. Candy: Yes, this is correct.

Mr. Renwick: Then there is nothing that indicates in any of the documentation in this period of time that that memorandum of February 10 was for submission to the commission?

Mr. Candy: The memorandum of February 10?

Mr. Renwick: Sorry, the draft memorandum of April 10. There is nothing that we have had by way of evidence that would indicate that that was for the commission?

Mr. Candy: No, but that was the purpose in doing it. That's what we were doing it for, ~~to put the~~ we were trying to make a resume of the whole thing so that the commission could look at it.

Mr. Renwick: Did you know that the chairman was travelling with the ~~Treasurer~~ Treasurer to Japan?

Mr. Candy: Not until after the report was made.

Mr. Renwick: Could I ask ~~just~~ just two other questions on a different matter? I take it that what you are saying ^{to us,} ~~Mr. Candy~~ Mr. Candy, ~~there~~ is that, having received from Mr. Mink exhibit number 64, dated March 27.

Mr. Candy: That is the letter to me asking for additional information?

Mr. Renwick: Yes. Having received that, dated March 27, exhibit number 64, and having had in your file a draft

June 13, 1973
5:40 - 5:45 p.m.
B.G.

(Mr. Renwick)

~~But the beat went down, sir.~~

Mr. Candy: That's right.

Mr. Renwick: So that from that point of view there was no need for a memorandum —

Mr. Candy: That's right, because we were ~~both~~ both there.

Mr. Renwick:— Because Mr. Mink was with you on those two occasions?

Mr. Candy: And I think when you see this, you will understand the information has been added to this thing; that was missing from this, which is what Mr. Mink used.

Mr. Renwick: Okay, Mr. Chairman, those ~~three~~ were the three matters that I wanted to clear up.

Mr. Chairman:

Mr. Shibley: Mr. Candy, I ~~was~~^{am} going to now embark upon a review of your April 10 memorandum. Have you it in front of you? It is Exhibit 67.

Mr. Candy: Well, ~~I~~ I've got ~~one~~ copies here.

^{McCALLUM}
Mr. McCall: Mr. Chairman, may I be permitted to suggest that it has been a very long day, and it is very warm; and if we are going to embark on such a monumental task as the April 10th report, I would like to ask if you could consider adjourning now for the day.

Mr. Renwick: Excellent suggestion.

Mr. Chairman: I think that's a good idea, and Mr. Shibley agrees with me, ~~do~~ the members of the committee agree? The answer is that they don't disagree, so I'll take that as my instructions to adjourn until 3 ~~pm~~ p.m. to-morrow.

The committee adjourned at 5:42 p.m. o'clock.

18

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Thursday, June 14, 1973.

607-120

APPEARANCES

Committee members:	J.N. Allan
	J.E. Builbrook
	I. Deans
	M. Gaunt
	L.C. Henderson
	R.G. Hodgson
	W. Hodgson
	J.P. MacBeth (Chairman)
	W. Newman
	J.A. Renwick
	G.W. Walker
Clerk of the committee:	Paul Moore
Committee counsel:	R.E. Shibley, QC
Ontario Hydro counsel:	Pierre Genest, QC
	James McCallum, QC
Canada Square Counsel:	Douglas Laidlaw, QC
Commission Architect, Ontario Hydro:	Kenneth H. Candy

List of exhibits introduced during this sitting appears on last page.

LEGISLATURE OF ONTARIO
SELECT COMMITTEE - HYDRO HEADQUARTERS

June 14/73

H 467 - 1

M.S.

The committee met at 3:12 o'clock, p.m. in the members' board room.

Mr. Chairman: Ladies and gentlemen, I will call the meeting to order. Hansard, who have been doing a great job for us, have a confession to make, that they lost one tape somewhere along the line. I don't whether it's the same as Mr. Shulman's lost tapes or not, but somewhere a tape has become lost and they have done, I think, a reasonable job of reconstructing it from the various facilities they have. ~~and~~ They have given to Mr. Shibley three pages of transcript which is not complete. Mr. Shibley has looked it over and he thinks it's got all the essential points in it. ~~and~~ I would propose that we simply have this mimeographed and replaced here as a supplement to yesterday's proceedings. But I would ask each of the committee members to look ^{it} over. ~~There's~~ There's a note in here where the missing tape is, and if you think there's any question in there that you want repeated, perhaps you can repeat it today before Mr. Candy.

Mr. Bullbrook: I think we should start over again.

Mr. Chairman: All over again. Start.

Mr. Renwick: I think so. We don't want to mix up the fictional with the factual.

Mr. Allan: Start right at the beginning!

Mr. Chairman: All right, we have to go back to the start of yesterday's proceedings.

Mr. Shibley: I refuse on the grounds that ~~and~~

Mr. Renwick: You may incriminate yourself.

Mr. Chairman: Mr. Candy, I see you are already established and ~~stanced~~ ^{seated} in your seat. ~~And~~ ~~Again~~ I remind you that you ~~are~~ were sworn earlier and I will pass the proceedings to Mr. Shibley.

H 467 - 2

June 14/73
3:12 - 3:15 pm.
M.S.

Mr. Shibley: Mr. Candy, at the conclusion of yesterday's session, I had indicated I was intending to start a review of the memorandum of April 10, 1972, which is Exhibit 67. I would first like to ask you to indicate those portions of this exhibit which ~~were~~ were contributed by yourself and which portions were contributed by Mr. Mink. It ~~is~~^{is} a matter of record on the face of the document that it was prepared by the two of you.

Mr. Candy: Well, first of all, Mr. Shibley, there is a draft submitted by Mr. Mink dated April 4,

Mr. Shibley: Yes.

Mr. Candy: ~~When I think everybody has.~~

Mr. Shibley: ~~No, we haven't~~

Tape H 468 follows

June 14/73
3.15 to 3.20 pm
DT

Candy

(Mr. Chairman)

April 4th...

Mr. Shibley: Yes.
Candy

Mr. Chairman: — Which I think everybody has.

Mr. Shibley: No. We have had it supplied and I now

want to make his draft the next exhibit.

Mr. Candy: I see.

Mr. Chairman: Exhibit 155.

Mr. Shibley: Do you have a copy?

Mr. Candy: Yes, I have a copy here.

~~Mr. Shibley~~: That was dated April 4. Mr. Mink

had previously written to me and asked me to write a sort of
format to this report, which I wrote and forwarded to him
on April 4 and I think now you have a copy of that document.

Mr. Shibley: That's the second document of the
same date which I ask be made exhibit 156.

Mr. Candy: That ^{consists} ~~xxxxx~~ of eight pages plus an
attachment.

Mr. Shibley: I think it might assist members of
the committee if they would mark their copies of exhibits:
Mink as for exhibit 155, Candy as for exhibit 156. Mr.
Candy, exhibit 155 was the exhibit to which you made reference
yesterday, being Mr. Mink's draft upon which you made certain *suggested*
changes or amendments, Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: And are the hand-written changes
on that exhibit your changes?

Mr. Candy: The only ~~xxxx~~ changes on that which
are my changes are the printed changes. Basically, I went
through this thing and where he had "lease-back," I changed it
to "lease-purchase." The hand-written changes on that are MR.
Mink's and not mine.

Mr. Shibley: Now, staying with that document for
a moment, there is a schedule indicated as part of what is
532. It is the seventh page in the exhibit. And just for
completeness, you mentioned yesterday on April 7th you met with

June 14/73

3.15 to 3.20 pm
DTMr. Shibley

each of Mr. Tatham of Yolles ^{and} Rotenberg and Mr. Zwig of Horizon.

Mr. Candy: That's correct, with Mr. Mink.

Mr. Shibley: With Mr. Mink in attendance.

Mr. Candy: That's right.

Mr. Shibley: And the two of you ~~ex~~ elicited from them certain information that found its way on to this document. Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: Would you please indicate to the committee what the information was that was provided on that date and endorsed as part of this memorandum?

Mr. Candy: Well, the information, for instance, under Y and R was the capital cost per square foot at \$28; ~~the~~ the source of financing was indicated as Canada, Under Canada Square, which we had ^{obtained} ~~obtained~~ before but which I also had marked ^{on this} ~~on this~~. The operating maintenance cost was \$1.45. In the case of Horizon, the capital cost was \$28, ~~the~~ the financing cost was eight and three quarters and the source of financing was Canada Metropolitan Life. Those ^{on} ~~on~~ the original are in pencil which I pencilled in at the time of our meeting.

Mr. Shibley: I see. With respect to Canada Square, I notice ^a ~~a~~ bracketed note: "maximum \$5.25" under \$4.92. Would you please explain that?

Mr. Candy: That ~~a~~ maximum \$5.25 was depending on ~~the~~ financing, but later on and before the submission to the commission recommending Canada Square, we had confirmation from Canada Square that the \$4.92 would be firm regardless of their interest rate.

Mr. Shibley: Was it not a circumstance as at the time of the preparation of this document that the position of Canada Square, as with the other developers, was that if their interest rate proved to be higher,...

(H-469 to follow)

June 14, 1973
3.20 to 3.25
M.T.

H-469-1

(Mr. Shibley)

~~as with the other developers was that if their interest rate proved to be higher~~, their rental ~~rate~~ ^{rate} would be higher? I am now talking about pending the making of the deal.

Mr. Candy: This is something, Mr. Shibley, which is very difficult for me to answer. I would far sooner you ask Mr. Mink ~~that~~ that situation; he was more concerned with that.

Mr. Shibley: I put it to you that the figure of \$5.25 emanates from the calculation of interest at the rate of 8% per cent, which was then in contemplation as a possible ~~cost~~ cost.

Mr. Candy: ~~It~~ it was my recollection that in the proposal of Canada Square, did they not mention the figure of \$5.25, depending on interest rates at that time?

Mr. Gaunt: Yes, they did.

Mr. Shibley: Is that correct?

Mr. Gaunt: Yes, page 5, exhibit 61

Mr. Shibley: Thank you. That's correct. Perhaps we should look at that together. Yes, I intended, actually, to develop this when we reviewed this document. I note that, have you got the document, Mr. Candy, which is Canada Square's submission?

Mr. Candy: No, I haven't.

Mr. Shibley: At page 5, it talks of a lease-purchase agreement which would run for a term of 30 years.

"Our tentative financing involves \$20 million in Swiss francs at an interest rate of 6% per cent per annum ^{and the} balance, neither US or Canadian funds ^{at an} interest ^{rate of} approximately 7 3/4%. Based ~~on~~ upon these arrangements, the rental rate will be \$4.92 per square foot per year. These arrangements have not been finalized, ^{and} will require your full cooperation in assisting us to set up the necessary corporate structure to complete them. If we are unable to borrow the required funds at these favourable rates, there ~~will~~ will be a ^{\$5.25} ~~pro~~rata increase in the rental rates up to ~~a~~ maximum of ~~8~~ per

June 14, 1973
3.20 to 3.25
M.T.

H-469-2

(Mr. Shibley)

square foot per year. As set out in the form of lease attached,... the rental rate will be adjusted either up or down from time to time to take into account fluctuations ^{in the} ~~and~~ exchange rates".

Leaving that latter aside for the moment, ~~Canada Square's~~ Canada Square's proposal ~~was~~ was on a par, so to speak, with the other developers who were submitting proposals, namely, that pending the making of an agreement, should the interest rate fluctuate the rental rate was going to be varied. Is ~~that~~ that correct?

Mr. Candy: That's what it says, That's correct, yes.

Mr. Shibley: Now, as at April 4, did that continue to

be the circumstance, having ~~no~~ regard for the hand-written note
"\$5.25"
maximum ~~of~~ under the \$4.92?

Mr. Candy: I am afraid, Mr. Shibley, I can't answer that.

I would be guessing, I see that Mr. Mink has ~~it~~ it in there in brackets at \$5.25, and ~~there~~ I think you would get a much more accurate answer from him than from me. I know that it was finalized at some period along the way there, that the \$4.92 would remain, regardless of the interest rate.

Mr. Shibley: The other item I want to ask about in this document ^{is}, did Horizon tell you that their cost per square foot would be \$28?

Mr. Candy: Well, this is another thing that bothered ~~me~~ me. I notice that Frank Mink has used \$30 ~~and~~ when he was down last week I talked to him about it and he said his understanding was \$30. I ~~have~~ have marked \$28 on here, and actually, the way this came about, when we were in Horizon's office I remember Mr. Zwig making a phonecall with regard to interest rates to somebody, and ~~when~~ when we talked about the cost of the building he ~~talked about the cost of~~ mentioned a figure of \$19 or \$20. And I said, "Yes, but ~~what have you got in that, have you got your interim financing and your design fees and all that?~~ what have you got in that, have you got your interim financing and your design fees and all that?", and he said, "Oh, no", and I said, "Well what does it cost when you have all...."

Tape H-470 follows

Li-470-1

(Mr. Candy)

~~Mr. Candy~~ what have you got in there? Have you got your interim financing and your design fees and all that?" And he said, "Oh no". I said, "What does it cost when you have all that?" And my understanding at that time was that he said about \$28.

Mr. Shibley: And you can't assist us as to why the April 10 memorandum, at page 26 and following, predicates an analysis of Horizon on the basis of \$30 per square foot?

Mr. Candy: No, I'm afraid I can't, because I asked Mr. Mink that question in particular and his understanding was \$30. My understanding, as I have written down ^{there,} had been \$28.

Mr. Shibley: On what day was the \$28 endorsed on the April 4 memorandum, being exhibit 155?

Mr. Candy: You mean what day was it put on this?

Mr. Shibley: Yes.

Mr. Candy: On the 7th of April.

Mr. Shibley: On the 7th.

Mr. Candy: That was at the meeting that we had ^{then.} ~~there.~~

Mr. Shibley: And who put it on this document?

Mr. Candy: I did. That's my ^{writing,}

Mr. Shibley: You did?

Mr. Candy: Yes.

Mr. Shibley: And would Mr. Mink have received this document from you? Or was he making a similar notation on his own own copy?

Mr. Candy: I don't really know. I can't tell you ~~how~~ ^{how} he got his, ~~and then~~ ^{and then} ~~...~~ This, I think, was still in my ^{file} ~~...~~ and whether he had another document or made notes of his own I just don't recall.

Mr. Shibley: So you are not sure whether Mr. Mink, First of all, did Mr. Mink receive the same information at the meeting with Mr. Zwig that the calculation of cost was \$28 per square foot?

Mr. Candy: He says that his understanding was \$30. My understanding was \$28. We were both at the same meeting and I don't think that there was any contact with Mr. ^Z ~~Z~~ wig after that

H-470-2

(Mr. Candy)

by either one of us, as far as I know.

Mr. Shibley: Now then, ~~the~~ exhibit ~~156~~ 67, dated April 10, contains, as the first portion of it, your contribution, which is exhibit 156. It seems that your portion forms some of the early material. I am looking at page 3 of the April 10 memorandum: ~~XXXXXX~~ "During the 1960's it became increasingly apparent" ~~XXXX~~ etc.,

Mr. Candy: Yes.

Mr. Shibley: That is all your material?

Mr. Candy: Yes.

Mr. Shibley: And it seems to carry ~~on~~ ^{on}

Mr. Candy: As far as I can figure, Mr. Shibley, it carries on to about ~~the~~ the middle of page 10.

Mr. Shibley: Right. Now then, can you help the ^{Committee} ~~Board~~ as to where Mr. Mink's contribution, which is exhibit 155, commences?

Mr. Candy: Well, the way it was done, I think on March 9 I asked Mr. Nastich to have someone help prepare this report; and Mr. Nastich, as I recall, assigned Mr. Mink. I don't know what Mr. Dean had to do with it at that time, but I am certain that Mr. Mink at that time was working under Mr. Dean's direction. ~~But~~ In any event, Mr. Mink and I had ^{various} ~~many~~ discussions about this thing. He asked me for this information, I provided it to him, and he incorporated it in the report and injected it into the report in the places where he thought it ^s ~~h~~ should go.

Mr. Shibley: Yes.

Mr. Candy: I am not trying to escape responsibility. My name is on the report; I don't put my name on something that I haven't read. But Mr. Mink had prepared what is known as ^{the} ~~draft~~ dated April 4, at that point; and ^{then} ~~as I say~~, we had this meeting with Horizon. ~~I prepared this memo of mine for injection into that thing.~~

H-471-1 follows

H 471-1

June 14/73
3:30-3:35 pm
PLG

~~(Mr. Candy)~~

~~I say we had this meeting with Horlick.~~ I prepared this memo of mine for injection into that thing and when the report was printed, Mr. Mink arranged the printing and arranged the distribution and I received a copy. Undoubtedly there are things in the report which Mr. Mink had to talk to me about to get information regarding that report, but any of the financial calculations or financial assumptions and that type of thing were Mr. Mink's work. ~~As~~ As I say, I have talked to him about it and he agrees with that.

Mr. Shibley: Mr. Candy, what I really wanted to know is this: Who contributed the portions of the April 10 memorandum that set out comment on the lease-purchase agreement, ~~construction~~ ^{on} and Management ^{on} pages 13 and following, Lease-Purchase proposals on page 19, Selection of Developers on page 20? Who prepared those?

Mr. Candy: Well, I would say that that looks like a joint effort. The paragraphs which are numbered one and two are Frank Mink's. They deal with the source of capital and so on, which is not in ~~the~~ the terms that I would be talking about. I would think that ~~what~~ what is in the first paragraph, ~~"This concept generally involves a developer to finance, design, construct, maintain and manage the building, Ownership of the building," and so on.~~ This, of course, with either one of us was pretty common knowledge at that point, ~~the~~

Mr. Shibley: You say that you might have ~~combined~~ combined in your efforts to produce that?

Mr. Candy: Yes, I say that is possible. As you go down ~~three~~ ^{three} through paragraphs, one...

Mr. Shibley: Excuse me Mr. Candy...

Mr. Bullbrook: We are having trouble because we don't have page numbers. Some pages are numbered and some aren't. Are yours all numbered?

Mr. Shibley: Yes, On the April 10 document? Yes.

↓

June 14/73
3:30-3:35 pm
PLG

Mr. Candy: Are yours not numbered?

Mr. Bullbrook: No. Well, you will have to bear with us in this respect, that when you refer to page ~~numbers~~ ^{numbers} ~~page 14~~

Mr. Allan: Mine are numbered.

Mr. Bullbrook: Are yours numbered? Are yours numbered, Murray?

Mr. Gaunt: Some of them are and some of them aren't.

R.G. Hodgson: ~~Mr. Bullbrook~~ This is item 67, isn't it?

Mr. Bullbrook: This might be page 22 here but I just wanted to point out that for us to follow you properly, you will have to give us a few minutes to find the page. But you are on 19 now?

Mr. Candy: 14.

Mr. Bullbrook: 14. Okay. I just wanted to let you know that.

Mr. Shibley: Thank you. Mr. Candy, perhaps you can assist us on this. Starting with ~~what is~~ page 14, ~~we want~~ which has in the middle of it, "Construction and Management", who ~~authored~~ authored that material?

Mr. Candy: I would think that is Mr. Mink when he starts talking about tax savings and so on. I wouldn't think that that was mine.

Mr. Shibley: And then on the next page, page 15?

Mr. Candy: I would think page 15 is Mr. Mink's. That is all pretty well financial ^(right) through there.

Mr. Shibley: And 16?

Mr. Candy: That is a fairly difficult one to say. That ^{certainly} looks like, ~~certainly~~ ~~that~~ I had some input into that, I would think.

Tape H 472 follows

June 14/73
3.35 to 3.40 pm
DT~~(Mr. Candy)~~

✓ Mr. Shibley: Did Mr. Mink make any input into that?

Mr. Candy: Oh, I would think so.

Mr. Shibley: Did anyone else?

Mr. Candy: Not that I am aware of.

Mr. Shibley: Mr. Candy, what I want to know is, was this document in whole compiled by either Mr. Mink or yourself or the two of you working on a collaborative basis, or was any part of this document compiled on ^{the} basis of material supplied by anybody else?

Mr. Candy: No, I think the way it was done, Mr. Mink came in and had meetings with me. He compiled quite a bit of it in his own office. Now, whether he had any other assistance, he was in another building from me, whether he had any assistance in there, I am not aware of, but he would come back and we would talk about it and add things to it. As far as I knew at that time, it was an effort between Mr. Mink and myself. Now, whether anybody else assisted him, I wouldn't be aware of that; that is, any other Hydro personnel.

Mr. Shibley: Do you know whether the memorandum which is exhibit 154 was employed by Mr. Mink or yourself to assist you in the compilation of exhibit 67? ^{Exhibit} 154 is the draft memorandum, March 28, 1972, JAB.

Mr. Candy: No, I am sure it wasn't.

Mr. Shibley: Was not?

Mr. Candy: No, I am sure that was not part of this thing at all.

Mr. Shibley: All right.

Mr. R. G. Hodgson: I wonder if the witness could identify the writing, the pencilling in on page 6 of that document?

Mr. Candy: I think I ^{said} that yesterday, ~~but~~ that is not my writing at all.

Mr. R. G. Hodgson: Do you know whose it is?

Mr. Candy: No, I don't.

June 14/73
3.35 to 3.40 pm
DT

Mr. Renwick: Mr. Chairman, could I ask whether ~~any~~

Mr. Chairman: Mr. Renwick.

Mr. Renwick: ~~Mr. Candy~~ ^{can} identify the preparation of paragraph 4.3.1, "Public Tendering ~~and~~ ^{is} Outside Develop~~ment~~^{ment}" on pages 15, 16, 17 and 18 of exhibit number 67? It doesn't appear to appear in either exhibit 155 or exhibit 156.

Mr. Shibley: I think, Mr. Renwick, Mr. Candy has said that ~~on~~ page 15 was the product of Mr. Mink's effort. Page 16 he said that he gave it some input, and that's as far as I had reached.

Mr. Renwick: Oh, I am sorry.

Mr. Shibley: That's the reason I was asking him particularly for the ~~authorship~~ authorship of these pages.

Mr. Renwick: Mr. Chairman, I'll wait.

Mr. Shibley: Mr. Candy, we have reached page 16 and you said that you gave it some input, I have noted. Can we take it that what you did not contribute to that page is the product of Mr. ~~Mink~~ Mink's efforts?

Mr. Candy: Yes, I would say so. As far as I was concerned, it was either my effort or his effort.

Mr. Shibley: And then with respect to page 17, can you tell us who authored that page?

Mr. Candy: In reading this over, for instance (a), (b), (c) and (d), I would say that's mine.

Mr. Shibley: And on page 18?

(H-473 to follow)

June 14/73
3:40-3:45 pm
C.B.

~~_____~~
~~_____~~
Mr. Candy: That looks like mine too, I think,
Mr. Shibley.

Mr. Shibley: I want to take you back, Mr. Candy,
to the first portion of this report. Before I do that,
can we take it that as of the ~~max~~ date of the compilation
of this report, no one in Hydro had ~~known~~ ^{sought} outside expert advice
respecting ~~lease-~~ ^{lease-} purchase transactions?

Mr. Candy: That is correct.

Mr. Shibley: ~~Yes~~ ^{Yes} people were dealing on the
basis of their own knowledge?

Mr. Candy: I think that is correct to say that.

Mr. Shibley: ~~Did anyone within Hydro any experience respecting a~~
~~lease-purchase transaction?~~

Mr. Candy: Not that I'm aware of, no.

Mr. Shibley: So that may we take it that
as of the compilation of the basic submissions, recommending
a lease-purchase route be adopted, this was being done by
Hydro without benefit of anyone internally having knowledge
of this type of transaction, and without benefit of any
outside assistance from experts in the field?

Mr. Candy: The only internal expertise we
felt we had at that time was what we had learned through
OISE and Canada Square.

Mr. Shibley: Yes, in that connection isn't
it a fact that your own financial people, however, felt

June 14/73
3:40-3:45pm
C.B.

(Mr. Shibley)

that you were not sufficiently expert in the field, and required outside assistance? I'm thinking particularly of the ~~Mr. Candy's~~ content of exhibits 78 and 79 —
78 is dated June 29; ~~it~~ is Mr. Nastich's memorandum.

In Exhibit 78, June 29, the first paragraph, ~~he~~ he says: "the validity of the overall transaction from both Hydro and the developer's viewpoint. We are not development experts and could easily miss some particular point which would be either costly or embarrassing. For that reason I suggested a legal ^{expertise} consultant with ~~experience~~ in the field".

Then again in exhibit 79, on July 6, Mr. Dean to Mr. Nastich, on this occasion is saying, paragraph one, "I understand Mr. MacCallum is to be appointed and that you are now satisfied that our lack of expertise in this development will be relieved by this appointment."

Do you see those comments?

Mr. Candy: Yes.

Mr. Shibley: So both Mr. Nastich and Mr. Dean subsequently recorded their ~~concern~~ concern about the lack of expertise within the personnel of Hydro referable to lease-purchase type transactions, did they not?

Mr. Candy: I'm not sure that I ~~was~~ entirely agree ~~with~~ with that. I think really at that date in time what they are talking about there, and what we were certainly ^{suggesting, was} ~~observing~~ that in the negotiation ~~period~~ period for this ~~that~~ we should retain expert legal advice to carry out the negotiations on this basis.

H 473 - 3

June 14/73

3:40-3:45pm

C.B.

(Mr. Shibley: ^{You} ~~You~~ are talking ~~me~~ about the type of negotiation on ~~these~~ items respecting which Mr. McCallum received instructions and later reported, as we've seen in the exhibit³, are you not?

Mr. Candy: Yes.

Mr. Shibley: What I'm talking about, Mr. Candy, is this: At some point of time Hydro decided that it should do a lease-purchase transaction as ---

H 474 to follow

June 14/73
3.45 to 3.50 pm
fvk

(Mr. Shibley)

.....point of time Hydro decided that it should do a lease-purchase transaction as opposed to building a building owned by it and funded with its own borrowing.

Mr. Candy: Yes.

Mr. Shibley: That decision had already been taken so far as Hydro staff is concerned.

Mr. Candy: Yes.

Mr. Shibley: by the time of the April 10 memorandum? Isn't that correct?

Mr. Candy: That's correct.

Mr. Shibley: You were well on the road ^(toward) this type of transaction without benefit of expertise within Hydro and without benefit of expert advice from without Hydro. Isn't that so?

Mr. Candy: Well, ~~that's~~ I don't want to be ~~so~~ stubborn on this, but what I'm saying here is that the lease-purchase aspect that we had been dealing with up to that point was not that complicated. We certainly understood the lease-purchase situation, but when we came to making a deal -- negotiating a deal on a lease-purchase basis, that's when we felt that we needed the expertise. Mr. McCallum's name was never mentioned, as far as I can recall, except when we came to discussing the possibility of negotiation and then we wanted someone who ~~was~~ could put an agreement together which would be binding and meaningful, and someone who could negotiate hard to get everything we could get out of this agreement.

Mr. Shibley: But by the time you gave instructions to Mr. McCallum, the instructions to him were: "We are going to do a lease-purchase. Now, negotiate the best terms possible." Isn't that so?

^{I think}
Mr. Candy: That's really what I'm trying to say.

Mr. Shibley: He was presuming upon Hydro's decision to do a lease-purchase transaction. ~~Isn't~~ Isn't that right?

Mr. Candy: That's right, yes.

Mr. Shibley: ~~What~~ What I think is of interest to ~~xxxx~~

June 14, 1973
3.50 to 3.55
M.T.

H-475-1

(Mr. Candy)

~~favour of Canada Square, but at the same time we felt, and my instructions were to go and get proposals, and I was~~

Mr. Shibley: No, Mr. Candy, you are missing my point and I am concerned about it.

Mr. Candy: I'm sorry.

Mr. Shibley: Leave Canada Square out of it as an individual entity. I am now talking about the decision between building your own building and doing a lease-purchase. Forget with whom you are going to do the lease-purchase. That basic judgment ^e ^{as to} ~~was made~~ ^{were} which way ~~was~~ you going to go, that decision was made, as you say, back in November, ^I is that correct?

Mr. Candy: Yes.

Mr. Shibley: And it was made by your own Hydro staff alone, ^I is that correct?

Mr. Candy: By our financial people, yes.

Mr. Shibley: By people without any experience with respect to lease-purchase transactions, other than what they got out of reading the OISE documents. Is that correct?

Mr. Candy: Well, I think it's a financial consideration. A lot of people rent houses but other people buy houses. Some people claim it's cheaper to ~~buy~~ buy than pay rent and so on. I don't think the decision to determine whether ^{we were} ~~was~~ going to have lease-purchase or whether ^{we were} ~~was~~ going to buy was a difficult problem for our financial people. I don't know whether I am answering your ~~we~~ question or not, but I think that, getting down to your original question about retaining outside expertise, our whole intention in retaining outside expertise at that point was to ensure that we got the best deal we could get. Now prior to that, we didn't feel that we needed outside expertise to determine whether or not a lease-purchase arrangement was a good thing for Hydro. Does that answer the question or am I skating around it again?

June 14, 1973
3.50 to 3.55
M.T.

H-475-2

Mr. Shibley: I think it answers the question, it may raise others, but I think it answers the question. What you are saying is that you presumed upon a lease-purchase transaction being an acceptable one relative to the cost of building your own building. Is that right?

Mr. Candy: Yes.

Mr. Shibley: And were any analyses made of the comparable cost to Hydro in respect of building your own building and doing a lease-purchase transaction?

Mr. Candy: ~~Well,~~ As I said, I think the other day, since I have been involved in this inquiry and seen all the paper that's floating around, there was apparently a lot done by our financial people, even examining the OISE situation. I wasn't even aware that ~~was~~ was going on.

Mr. Shibley: Mr. Candy, stopping right there, have we seen all of the work-up papers, all of the documentation, which reflects the analysis of Hydro staff of a lease-purchase transaction leading to the decision that we have ~~been~~ been talking about?

Mr. Candy: As far as I know, you definitely have.

Mr. Shibley: I see. So that ^{as} ~~far~~ as far as Hydro was concerned, people without prior experience examined the OISE ~~and~~ arrangement and reached a conclusion that doing the transaction on a lease-purchase premise was economically sound as compared with building your ~~own~~ own building with your own funds. Is that right?

Mr. Candy: I think that the question also ^{entered} ~~enters~~ into the situation ^{of} the problem of raising the funds ourselves in any event for this type of a building; ~~and it~~ has been brought out before, that we were trying to conserve our funds for the development of power facilities.

Mr. Shibley: Yes. I'll deal with that with other people, Mr. Candy.

Mr. Candy: Yes, but I think that was part of the problem. But you only have ~~two~~ two or three things to do; either you can go out and rent buildings,

to Tape H-476

H 476 - 1

June 14/73
3:55- 4 pm
C.B.

~~(N. Candy)~~
which we were doing and which was becoming quite costly to do, You can buy your own building or you can lease-purchase the building. Now ~~the~~^{to}/lease-purchase the building to us seemed like the most favourable thing to do because ~~we~~^{we} were buying it and owning it eventually at less money than ~~we~~^{we} were paying rent. ~~Now I'm not an economist, and I'm not trying to justify it by that, but I do think that you have to look at it in that context.~~

As far as I was concerned, people were telling me what to do and I would take off in that direction and do it.

Mr. Shibley: You relied on your financial

Mr. Candy: Oh yes, if they said this was the thing to do, we did it.

Mr. Shibley: All right. Turning to the exhibit itself, Mr. Candy, on page two, reference is made ~~to~~ in paragraph 2b; "If sufficient formal assurance can be received ~~that~~^{that} the terms as outlined in the lease-purchase proposal of Canada Square ^{Corp.} or Horizon ^{Development} are ~~indicated~~ as indicated, a selection of a package arrangement could be considered."

Now stopping there, this appears to have left a choice open between two developers. Do you agree with me?

Mr. Candy: Yes.

Mr. Shibley: Was that premise pursued at the

↓

H 476 - 2

June 14/73

3:55 - 4 pm


C.B.

(~~Mr. Candy~~)
time that the submission was ^{ultimately} ~~submitted~~ made to the commission on June 29 and at which time it is in evidence that this document was also available through Mr. Nastich.?

Mr. Candy: The meaning of that paragraph, this is not answering your question, I ~~can~~ realize, but it may be of some assistance. The meaning of that ~~paragraph~~ paragraph was ^{that} ~~that~~ if the terms were to change during the bargaining, then it would make a difference as to what we were doing.

Now when we really got down to making a choice in the end, the way I rationalized the whole thing, if we get down, for instance, just to Horizon and Canada Square. What Horizon were going to do, Mr. Zwig told me, ~~that~~ what they would do if they got this job was to retain ~~an~~ outside architects ^{and} and there is nothing wrong with that, but they would then negotiate a contract with a general contractor whom he named and build the ^{building} ~~building~~ (V)

Now the thing that bothered me there was that if that were to happen as against Canada Square, who would build the ^{building} ~~building~~ themselves and had all their in-house capabilities which they had control of, that if they were going to negotiate a contract with a general contractor, we would have to make up our minds as to just exactly what we wanted very quickly. And having done that and having then negotiated a contract, we could then be faced with extras. ~~Every~~ ^{every} ~~time~~ ^{time} we changed our mind or added things, we could be faced with extras along the way



H 476 - 3

June 14/73
3:55-4 pm
C.B.

~~XXXXXX~~
for things that we wanted. We are still doing this now with Canada Square and we are still getting things without paying more money.

This was really at the final conclusion of deciding the difference between ^{and} and I realize that there is 10 cents' difference between these two at this point, and my rationalization....

Mr. Shibley: It was predicated on a \$30 per square foot cost, by Horizon.

Mr. Candy: Yes, ~~that's~~ that's a little different. That really isn't part of our rationalization. ~~In~~ In my specifications I had said that the building would be designed to our ~~requirements~~ requirements, to our approval, and I was assuming that regardless of who got the building, we would get ^a ~~the~~ building of ^{the} ~~a~~ quality that we were looking for. That's one of the reasons why it was pro-rated up to the ~~\$33~~ \$34. ~~But~~

But I felt at that point ~~that we would have~~ ^{lot} having of course known a ^a ~~lot~~ about Canada Square, and ^{knowing} ~~knowing~~ their clients and so on, that in the negotiating period ~~that we would gain much more from Canada Square, which would more than offset that...~~

H477 to follow

June 14, 1973
4.00 - 4.05 p.m.
M.R.

(Mr. candy_

~~...associating period...~~ we would gain much more from Canada Square, which would more than offset that ten-cent difference. Now this was the rationalization I used at that point.

Mr. Shibley: I just want to know this, Mr.

Candy: I gather that even as of April 10, notwithstanding the suggestion of an available choice in your thinking, you had by this time decided to recommend to the commission that you deal with Canada Square?

Mr. Candy: That's possibly true, although I worked on the premise, of course, all the time that I don't make the decision^s, I make the recommendation^s. My recommendation was June 23rd, which was not too long after that, and I guess I would have to admit that I was certainly ~~very~~ oriented to Canada Square at that point.

Mr. Shibley: Now then, going through the next portion of paragraph 3 refers to the 1968 proposal and effects of delay it deals at length in paragraph 3 with the ~~taxxxxafxxxixix~~ ⁱⁿ construction, effect of decentralization, economic cost of geographic scatter of employees and it comes out to a certain overall cost.

Mr. Candy, these problems that are outlined in this report would have been solved equally well by the construction of a new head office building owned and financed by Hydro. Is that not so?

Mr. Candy: By a new head office building owned and financed by Hydro?

Mr. Shibley: Yes.

Mr. Candy: Yes. The only difference would be time.

Mr. Shibley: ~~And~~ Would you expand on that, please?

June 14, 1973
4.00 - 4.05 p.m.
M.R.

Mr. Candy: Well, in order to do that ⁱⁿ when we referred here to the conventional tendering process, this is the process that we had gone through with this building of preparing drawings and going out for tender.

Mr. Shibley: Yes.

Mr. Candy: And that would have been I think we said in here eight months, which is a minimum. ^{It would} ~~probably~~ be a year before you could go out, so this would be a delay in time which meant extra cost where we were ^{for} ~~not~~ geographical scatter and this type of thing.

Mr. Shibley: This is delay consequential upon a change of design?

Mr. Candy: No, it's a change of plan. In other words, what ~~is~~

Mr. Shibley: All right. Fine.

Mr. Candy: With a developer such as Canada Square they are in there almost immediately you let a contract, ^{holding} they are putting up a ~~building~~ They get an excavation permit and then the foundation permit. I don't think they have got the super structure permit yet, but this allows a developer of that type to get in there and start work immediately.

Mr. Shibley: What I meant was, let us say that you had decided to build a building as originally planned.

Mr. Candy: Oh, I see.

Mr. Shibley: ~~but~~ as a one phase development, incorporating what you call ~~as~~ phase two, because this plan was designed to accept an extension. Right?

Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: Would there have been that delay?

Mr. Candy: You would have had to put phase two on to it, to add that as an extra ^{later on} ~~right around~~ would have been a very difficult thing.

June 14, 1973
4.00 - 4.05 p.m.
M.R.

(Mr. Candy)

I would think to change the drawings ^{remember} and, of course, by this time ~~in 1972~~ in 1972 you wouldn't get a permit for that building under the new fire and smoke control regulations.

Mr. Shibley: Yes.

Mr. Candy: We would have to ~~put our~~ smoke ^{shaft} in and this type of thing which would be very difficult in that plan. ~~And then we had~~ changed ~~to~~ to 150 foot-candles, which made a change in our lighting, made a change in our airconditioning. There were various changes. But to answer your question directly, If we had said that that building as is ^{was} satisfactory, I think that it would have taken maybe about four months at that point to get drawings out and revise the specifications, provided you could accept that building as is.

Mr. Shibley: Yes.

Mr. Candy: And add this other stuff to it.

Mr. Shibley: Now let's stay with that for a moment. In fact, the new building creates a surplus of ^{300,000} space for Hydro of some ~~square feet~~ square feet. Is that correct? Hydro's immediate needs or projected needs as of 1975 are for what amount of space?

Mr. Candy: 1975?

Mr. Shibley: ~~Yes~~.

Mr. Candy: ~~About~~ Something over 600,000.

Mr. ~~Candy~~ Shibley: Yes, and was the phase one portion of the first designed building

H-478 to follow

June 14/73
4.05 to 4.10 pm
DT

(Mr. Shibley)

Phase
~~Part~~ one portion of the first design building, a building which would ~~not~~ provide that amount of space?

Mr. Candy: Phase one provided about 622,000 square feet.

Mr. Shibley: So that even without the addition of phase two, you could have built the building as originally designed, had it ~~started~~ underway within four months, including revisions, and it would have been sufficient to accommodate your requirements as of 1975?

Mr. Candy: We could have, but not at the original estimated cost.

Mr. Shibley: All right.

Mr. Candy: But what you say is right; you could have built it and we could have moved in and filled it the day we moved in.

Mr. Shibley: Mr. Candy, yesterday you told the committee that when you were in communication with Mr. Moog in August of 1971, initially your communications were relative to his doing a lease-purchase transaction on that very set of plans? Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: And in fact you only abandoned that set of plans as of August 25, 1971. I shouldn't say you abandoned them then but the thought processes leading to the abandonment of those plans commenced on August 25, 1971, when Mr. Moog said he wasn't interested in doing a lease-purchase transaction on that set of plans?

Mr. Candy: Well, let me point something out: If Mr. Moog had come back on August 25 and said, "Sure, I will do your lease-purchase for the correct number of dollars," that ~~didn't~~ mean we were going to do it. We were trying to find out what the possibility was of doing a lease-purchase on a set of drawings that we had. Now, if you were to say to me, "Suppose he had come back, would you give him the job?" I would say definitely not. This was something that we were ~~not~~, you know,

June 14/73
4.05 to 4.10 pm
DT

(Mr. Candy)

we would not have just gone ahead on that basis at that time. We were trying to find out what kind of a ball park we were in ~~in~~ ^{anybody} first of all, would ~~anybody~~ ^{do a lease} purchase on a building like that where the developer is putting up the money and would own the thing and takes a certain amount of risk on it, or does he want to have some input or some say in what he does. You see, developers normally design their own buildings and they put them up. Now, if Mr. Moog had come back at that time and said, "Yes, I will put that up for \$5 ~~per~~ ^{per} square foot." I think that we would have looked at that and thought ~~maybe that's~~ ^{it's} interesting. But I am sure that we would not at that point ~~just~~ ^{have} said to Mr. Moog, "Okay, here is a contract." ~~we~~ ^{we} would have investigated that, and I think that undoubtedly the process ~~we~~ we would have gone through beyond that point would still have been not to build that building.

Mr. Shibley: Did Mr. Moog give you any reason why ~~he~~ he would not make you an offer to do a lease-purchase transaction referable to that building?

Mr. Candy: Any reason why he wouldn't make me an offer?

Mr. Shibley: Right.

Mr. Candy: Well, his main reason ~~was~~ was he was just not interested in putting up that building. He was quite enthusiastic about doing something much more exciting than that on that corner.

Mr. Shibley: Why wasn't he enthusiastic about doing that building?

Mr. Candy: First of all, he didn't like the building.

Mr. Shibley: I see. Are you suggesting that he is governed by aesthetics as to whether he builds a building or not?

MR. Candy: Yes, I think that any developer or anybody doing a building has got to be enthusiastic about it or

June 14/73
4.05 to 4.10 pm
DT

(Mr. Candy)

anything you do or you are not going to be successful at it.

Mr. Shibley: Do you not think a possibility of making a profit is motivation?

Mr. Candy: No, I really don't think that Mr. Moog's motivation is entirely profit. I think Mr. Moog is really motivated by trying to do a good job. ~~and~~ The evidence that we ^{have} ~~we~~ certainly ~~have~~ in the dealings that we have with Mr. Moog is ^{that} he will spare no ~~extra~~ effort in improving what he is doing. He won't hesitate for a minute to scrap something and do it over again. He kept saying to me, "Where can we get some ~~of~~ of these?" "Do you know any other consultant?" "Who can we get?" Name them, and ^{we} ~~we~~ will get them." He wants ~~to do the best possible~~....

(H-479 to follow)

H-479-1

(Mr. Candy)

Do you know any other consultants? Who can we get? Name them and he'll get them. He wants to do the best possible thing. Now, ~~that~~ as I say, ~~since~~ since the agreement has been signed, that plaza has been redesigned about three times. Now he could have gone ahead with just what he had. We've added reflective glass. He didn't have to put reflective glass in. We have got a stainless steel curtain ~~on~~ wall. I really, honestly believe that Mr. Moog is motivated by a lot of other things than revenue.

Mr. Shibley: ^{He} ~~did~~ didn't express to you any specific reason why he would not do a lease-purchase transaction on the first planned building?

Mr. Candy: The only thing ~~was~~ that he said against the thing is that he didn't like the building. But his enthusiasm for something different greatly overpowered his negative attitude against the building.

Mr. Shibley: Then, Mr. Candy, taking you on through the exhibit, on page 10, there seems to be a suggestion in the last paragraph of your part of that page.

Mr. Bullbrook: Could you relate ^{the} a paragraph ^{for me} ~~number~~?

Mr. Shibley: I'm sorry, it's just above 4.2. You notice it says;

"While many facets of the building originally designed should be incorporated into a new design, the major changes in space requirements, deletion of computer facilities, lay-out requirements for efficient long-term ~~space~~ utilization.... incorporation of ~~the~~ ... commercial space, would indicate ^{that} ~~then~~ an entirely new approach.." I refer you to exhibit 79.

Mr. Candy: That's this memorandum of July 6 to Nastich?

Mr. Shibley: That's right. And in the appendix to that document, the first page, the last paragraph;

"On the basis that Hydro would require a building roughly falling between a speculative and a ^{prestige} ~~public~~ building (and because special space requirements now that the computer has been housed elsewhere are not considered significant) it has been assumed that the cost to Hydro...." etc.

H-479-2

(Mr. Shibley)

Now, Mr. Candy, throughout your evidence you have repeatedly

Mr. Candy: I didn't find the page here.

Mr. Shibley: I'm sorry, ~~the~~^{it is in} the appendix to that exhibit.

This is Mr. Dean's memorandum to Mr. Nastich in July of 1972.

~~Mr. Candy:~~ In the last paragraph he relates the fact that special space requirements are not considered significant. He also makes reference to the measure of quality that you are looking for as being something between a speculative and a prestige building. Have you any comments to make with respect to that statement by him?

Mr. Candy: No, except ~~that~~^{he} say I'm not an accountant, and I think Mr. Dean ought to stay out of the architectural business.

Mr. Shibley: You don't agree with him?

Mr. Candy: No.

Mr. Shibley: All right. And yet it was left to him to work up the data respecting construction costs and so on?

Mr. Candy: ~~on~~ Yes, well that is not related now.

Mr. Shibley: I see.

Mr. Candy: That's.

H-480-1 follows

June 14/73
4.15 to 4.20 pm
fvk

(Mr. ~~Candy~~ Shibley)

.....you work up the data ~~and~~ respecting construction costs and an on.

Mr. Candy: ^y ~~On yes, this is not related now.~~ That's a different thing. The financial ~~as~~ aspects of this thing are one thing but the aesthetics and the character of the building *are* ~~is~~ not really what they're looking at.

Mr. Shibley: Mr. Candy, ^{weren't} ~~why~~ ~~xxxxxxx~~ your financial people in the difficulty that they had to find some premise for computing costs and yet there was no firm basis for such computation?

Mr. Candy: You mean based on the proposals that we had?

Mr. Shibley: That's right. They didn't ~~a~~ know what kind of a ~~new~~ building, except that it was somewhere in between, in their thinking, a speculative and a prestige building.

Mr. ~~Candy~~ Candy: Oh, yes, but they knew ~~that~~ we were talking about \$34 ~~(10)~~ a ~~square~~ square foot.

Mr. Shibley: But wasn't part of this exercise on July 6? - I'll relate it for you ^{that on} ~~that on~~ ~~June~~ ²⁹ the commission met and deferred a decision as for further consideration?

Mr. Candy: Yes.

Mr. Shibley: I take it that this is part of ~~the~~ that effort ~~the~~ review by Mr. Dean in his memorandum by Mr. Nastich.

Mr. Candy: Yes.

Mr. Shibley: And he's trying to formulate ~~some~~ some ~~conclusions~~ conclusions as to costing. He's left with very little to go on in terms of precise information respecting the building itself. That's why he makes the kind of statements, ~~and~~

Mr. Candy: ^{This cost} ~~Let's take the~~ factor of \$34.99 a square foot had been established long before that, ~~and I don't know.~~ Is this what you are referring to? ~~Why~~ why he didn't stay with that quality of building?

Mr. Shibley: ~~But~~ According to him he's there trying to test that.

Have you examined that analysis, Mr. Candy, previously?

June 14/73
4.15 to 4.20 pm
fvk

Mr. Candy: This document here?

Mr. Shibley: Yes.

Mr. Candy: No, I haven't.

Mr. Shibley: You've never seen it before?

Mr. Candy: No, sir.

Mr. Shibley: All right. There's no point in taking time with it then. Let's go on with your own exhibit.

Can I take it, Mr. Candy, then, from pages 10 through to 15, those contain contents to which I should direct questions to Mr. Mink? Is that right?

Mr. Candy: Ten through to 15?

Mr. Shibley: Yes.

Mr. Candy: Yes, I would think so, ~~yes~~

Mr. Shibley: Coming down to page 15, "Public Tendering ~~and~~ Outside Developers," You start off by saying: "The public tendering and ~~project~~ project management approach ^{as} originally planned for development ~~is~~ still considered as the only means of assuring that the lowest economic development is obtained."

Had anyone made an actual computation of the comparative costs involved?

Mr. Candy: I don't really know. I'm not aware of ~~that~~ if it was.

Mr. Shibley: You haven't any knowledge or ~~any~~ information in that connection?

Mr. Candy: No.

Mr. Shibley: And yet this is part of your effort?

Mr. Candy: I think I'm involved in that effort, certainly.

Mr. Shibley: Then you go on and talk about "Considering the developer ^{is} generally" - I'm talking about page 16, second paragraph - "the developer is generally also responsible for maintenance of the building after completion, There is an incentive to provide a better quality building and thereby reducing ^{his} long-term maintenance ~~and~~ operating costs." Can you explain that, please?

Mr. Candy: This, depending on - Let's talk about the

✓ Tape 11-481 follows

June 14, 1973
4.20-4.25 p.m.
M.F.

H - 481 - 1

Mr. Candy:

(Well, ~~the department is~~ let's talk about the Travelers building for a minute. The Travelers building has painted walls. We are talking about vinyl-covered walls that you don't paint. There are things that you can put into a quality building. ~~For instance~~ For instance, in our new building we have quarry tile floors, we have quarry tile in the elevators, we have natural materials which do not require ~~them~~ maintenance but which cost more money.

In many of our own buildings that we build for Hydro, you don't get maintenance people for 40 cents an hour any more. ^{So} ~~but~~ over a period of years it pays you to put more money into that building as a quality building, to reduce your maintenance costs as time goes on and reduce the obsolescence of that building.

There have been many schools built in the past which have been built for a very cheap price but which have been ^{very} expensive maintenance operation for boards of education because they did not put enough money into them when they began them.

Mr. Shibley: Yes, and I think, Mr. Candy, it is also a fact that reasonable wear and tear referable to this building is at the risk, so to speak, of Hydro, so you ~~are interested~~ would be interested in -----

Mr. Candy: Yes. Now let me talk about reasonable wear and tear. We had a long discussion about this. What we are saying in reasonable wear and tear ^{is} Suppose you have terrazzo ²³⁰ floors; ~~and~~ you have seen on a terrazzo ^{stair} where, if it has a lot of use, it gets ⁱⁿ discolored a bit, ~~and~~ it gets worn, or you have seen hardware on doors that gets polished off a bit or ~~the~~ if it is not solid bronze the finish comes off? That is what we are talking about in reasonable wear and tear, and that is why I was satisfied eventually with the agreement with Canada Square. On that basis ~~was that~~ we were not asking Canada Square to make

June 14, 1973
4.20-4.25 p.m.
N.F.

H - 481 - 2

(Mr. Candy)

that building brand-new 30 years from now. Now that is reasonable wear and tear, We are not talking about chips out of the plaster and this kind of thing. REasonable wear and tear are things that just normally happen ~~everywhere~~ materials will wear. For instance, you take hinges on a door; you hinge a door and you have got ballbearing hinges and after a while these things wear out, they have got to be replaced.

Well, you can't expect Canada Square 30 years from now to go round the building and renew all these things. And that is really what I am talking about ~~when~~ I say reasonable wear and tear. I am not talking about painting walls. I am not talking about washing the ceilings. I am talking about the natural materials. And when you get down to this business of the quality of a building, you can build, there are buildings ~~today~~ today that are as good as the day they were built, ^{they} ~~they~~ are 10 years old; and there are other buildings that you walk into and they ~~are~~ are a shambles because they just can't afford to maintain them.

Mr. Shibley: ~~And~~ I think what you are really saying here, I gather to be, that because the developer was ^{going} ~~going~~ to be responsible for maintaining the building for 30 years, in the course of constructing that building he would be motivated in building a building ~~that would be readily maintained. Of a quality~~ that would be readily maintained.

Mr. Candy: That is right, And I know what you are leading up to.

Mr. Bullbrook: You have got me, I don't know what he is leading up to.

Mr. Candy: Okay, Go ahead.

Mr. Shibley: You carry on, Mr. Candy.

Mr. Candy: But what I am saying is perfectly true.

When we get to the other we will argue that one, but that is really the basis on which we want a quality building. There are

June 14, 1973
4.20-4.35 p.m.
M.F.

H - 481 - 3

(M r. Candy)

buildings---building styles changes. I have gone back to
buildings that I ^{built,} ~~built~~ 15 years ago to put on an addition, ~~and~~
and I walk in and I say "God, did I really do that at that time?"
I can't understand it." But today we take an entirely different
approach, ⁱⁿ ~~the~~ the materials that ^{we} ~~you~~ put in a building. There is
an awful lot of exposed natural material put in buildings today
which does not require paint and does not require dusting,
does not require finishing, things that may cost you more money,
And it pays you to pay that much more money. It is just like
buying a suit of clothes. You can go to Honest Ed's, or
you can go to a tailor, and the first day it looks fine, but
after the rain it is not much good at Honest Ed's, But it is
the same idea, ~~and~~ As I said yesterday, do you want a Datsun or
a Buick?

Tape H - 482 follows

June 14, 1973
4.25 to 4.30
M.T.

H-482-1

(Mr. Candy)

~~but after the rain it's not much good at Honest Ed's~~
~~It's the same idea, and as I said yesterday, do you want a Datsun~~
~~or a Buick.~~ We're not looking for a palace, We're not looking
for a Taj Mahal. But we are looking for something that not only
will be a good building ~~in~~ 30 years from now but something
that will be a good building 60 years from now.

Mr. Shibley: All right, Mr. Candy. We'll go on with
the exhibit.

Mr. Candy: ^{I've} walk right into it now, but go ahead.

Mr. Shibley: No, I'm not going to let you walk into it!
We'll go on with the exhibit, I want to deal with page 19 of this
document.

Mr. Candy: 19?

Mr. Shibley: It starts off;

"During the past year, Integrated Financial Planning has
carried out a number of feasibility studies to investigate the
economic advantages of a lease-purchase arrangement. Critical
comparisons were made between the cost of internal financing,
maintenance and management, and that of external ownership,
management and maintenance of a building. The main conclusions
from these comparisons left the advantages of internal management
and financing somewhat in doubt."

Now here again, Mr. Candy, am I clear on this that the
studies that you are referring ^{to} are only those studies about which
we have now had documentary evidence tabled, and no others?

Mr. Candy: Yes, I would say so, I don't know of any
others, there is nothing that we have got that you haven't got.

Mr. Shibley: While we are on this, perhaps counsel for
Hydro could confirm the accuracy of that statement. I am not
suggesting Mr. Candy would mislead us but his own information ~~is~~
may be incomplete. I am concerned to be assured that the feasibility
studies that are referred to in this document are those for which

June 14, 1973
4.25 to 4.30
M.T.

H-482-2

(Mr. Shibley)

we have seen the documentation in exhibit, and no others.

Mr. McCallum: Yes, we will investigate that *and reply.*

Mr. Shibley: All right. And, of course, if those are the only ones, ~~the conclusions are that the advantages~~

~~the conclusions are that the advantages~~ internal management and financing ^{are} left in doubt, ~~the conclusions are that the advantages~~

~~the conclusions are that the advantages~~ Again, they are founded ^{on} the documents that have now been exhibited. Is that correct?

Mr. Candy: Yes, I would say so.

Mr. Shibley: Now then the next paragraph says:

"In consideration of these conclusions it was decided to request preliminary proposals from five prospective ^{the} firms",
In fact, they approached you rather than vice versa, *I* is that not so?

Mr. Candy: All but one.

Mr. Shibley: All but one. Canada Square you approached.

Mr. Candy: We approached Canada Square and the others approached us.

Mr. Shibley: Then turning to page 21, you deal with the financial arrangements. Now again, is this part of your contribution?

Mr. Candy: No, that isn't part of ~~my~~ mine at all.

Mr. Shibley: It's Mr. Mink's?

Mr. Candy: That's right.

Mr. Shibley: On the very next page, Mr. Candy, there is a sheet setting forth lease-purchase proposals ~~of~~ of the four developers, and again I ask you to note that Horizon is calculated on a \$30 per square foot cost.

Mr. Candy: Yes.

Mr. Shibley: You haven't been able to resolve that *disparity?*

Mr. Candy: No, I wish you would ask Mr. Mink about that, I don't really understand it.

~~Mr. Shibley: I would like to ask...~~

↓
Tape H-483 follows

June 14, 1973
4.30-4.35 p.m.
M.F.

H - 483 - 1

Chairman: Mr. MacBath

(Mr. Shibley.)

~~You haven't been able to resolve that dispute?~~

~~Mr. Candy: No I wish you would ask Mr. Mink about that. I don't really understand it.~~

Mr. Shibley: I would like to ask you, I note that the architectural firm mentioned after Ellis-Dons and Y and R ~~is~~ Webb, Zerafa, ~~and~~ Menkes. Have you any comment to make ~~in~~ terms of their qualifications to do a building of the quality which was of interest to Hydro?

Mr. Candy: There is nothing wrong with them at all. They are very well qualified.

Mr. Shibley: And would that firm have people within it well qualified to make estimates as to costs of a structure such as is presently under development by Hydro?

Mr. Candy: I don't know the internal operation of the firm, whether they use outside consultants for that or whether they have their own estimators or what. I would think ~~there are~~ a lot of architects, in doing this kind of thing in their own internal organization, do this type of thing on a square footage basis, based on records they keep of other buildings and so on.

Mr. Shibley: Yesterday you undertook to provide me with the workup data being prepared by the firm of Hanscomb Roy. On the basis of that material would a firm such as Webb, Zerafa, ~~and~~ Menkes be able to take off the projected cost of this building?

Mr. Candy: Well, it is all taken off, it is broken down.

Mr. Shibley: Oh it is broken down? I have yet to see it.

Mr. Candy: Yes, that is just a fixed price, we are trying to get that for you, Mr. Shibley. It is several pages, ~~and~~ and it is a breakdown of the whole thing.

Mr. Shibley: Now in this document, there is no indication in it of the consequences of the exchange rate effect

June 14, 1973
4.30-4.35 p.m.
M.F.

H - 483 - 2

(Mr. Shibley)

upon those developers proposing a source of financing outside of Canada *is there?*

Mr. Candy: I guess in this they are all indicated as being in Canada except Canada Square.

Mr. Shibley: Yes, but in terms of this being a ~~submission~~ submission ultimately intended for members of the commission, did it alert them to the effect of a fluctuation in exchange rates referable to non-domestic sources of funds?

Mr. Candy: Well this was certainly a subject that was brought up and mentioned, and I had obtained confirmation from Canada Square that regardless of the source of their funds ~~from Canada~~ or their interest rate that their rental of ~~was~~ \$492 ~~was fixed~~ and I remember --- and Mr. McCallum will corroborate this --- even at the commission meeting of July 19th, I mentioned ~~several~~ several times that ~~their~~ their rate was fixed, and I had obtained ~~this~~ *this* from Canada Square.

Mr. Shibley: Mr. Candy, I am talking about an exchange rate now, and I remind you that under the agreement the risk ~~is~~ ----

Mr. Candy: Oh I am sorry, I am sorry.

Mr. Shibley: That ^{ATTACHES TO} ~~the~~ ~~the~~ and the exchange rate *is* heightened.

Mr. Candy: That is ours. That is right, that is ours.

Mr. Shibley: My point is that there doesn't appear to be any communication of that circumstance either in this schedule or in the document.

Mr. Bullbrook: Isn't it - I am sorry, Mr. Shibley - isn't it under the "comments" section?

Mr. Shibley: Did I miss it?

Mr. Bullbrook: It says, if I am looking at -----

Mr. Candy: "Subject to foreign exchange variation."

Mr. Bullbrook: "Subject to foreign exchange variation."

Mr. Shibley: Where is this?

June 14, 1913
4.30-4.35 p.m.
M.F.

H - 483 - 3

Mr. Candy: Over on the right-hand side.

Mr. Shibley: Oh I am sorry, ^This one does have it; you are right. So it was pointed up. Thank you, Mr. Bullbrook.

Was there ever an analysis made of the ^{EFFECT} ~~part~~ of an exchange rate fluctuation ^{OVER} ~~for~~ the term of this lease?

~~Mr. Candy: I believe there was but that is something that I think Mr. Deane~~

Tape H - 484 follows

H 484 - 1

June 14/73
4:35 - 4:40 pm.
M.S.

~~(M. Candy)~~

~~fluctuation over the term of this loan~~

Mr. Candy: I believe there was, but that's something that I think Mr. Dean will probably bring out.

Mr. Shibley: All right. Then skipping along to Table number 2, which is two pages along, this is a relative risk factors table. Would you please explain that to the committee?

Mr. Candy: ^{It's} Another one of Mr. Mink's efforts, but anyhow I'll try and explain it. This is really what it says, relative risk factors. We took each of the developers and the ---

Mr. Chairman: Could you speak up a little please, Mr. Candy?

Mr. Candy: Pardon me. We took each of the developers and the possibility of construction costs escalation. You'll notice there we rated them all even down through that column. The financing rate escalation, the possibility of that, we felt, with Ellis-Don, was low; Y and R lower; Canada Square higher; Horizon lowest. Effects of foreign exchange -- Ellis-Don, which was Canada, was none; Likely none for Y and R; higher for Canada Square and none for Horizon. Design philosophy -- Ellis-Don ---

Mr. Shibley: Just stopping, Mr. Candy. This really means that the risk of financing rates going up was lowest with Horizon, because of course, their rate was already high. Is that correct?

Mr. Candy: Yes, that's right.

Mr. Shibley: Whereas with Canada Square it was higher because their ---

Mr. Candy: Because their rate was lower. That's right.

Mr. Shibley: --- rate was lower.

Mr. Candy: That's correct.

↓

H 484 - 2

June 14/73
4:35 - 4:40 pm.
M.S.

Mr. Shibley: ^{Just} A talking about rates, because it spreads itself all through the material, the rate at which Canada Square was talking at this time was what?

Mr. Candy: Well, in their proposal, of course, it was six and a half and seven, wasn't it? But our financial people assumed this to be eight in their figuring.

Mr. Shibley: Eight per cent, and ultimately the agreement is predicated on an eight per cent rate.

Mr. Candy: That's right.

Mr. Shibley: If they get a lower rate than eight per cent then there's an adjustment.

Mr. Candy: That's right, yes.

Mr. Shibley: And again, with respect to foreign exchange, what this really is saying is that there's no effect of foreign exchange referable to the Ellis-Don proposal, whereas in Canada Square it's highest, because of course they'd indicated that their source of funds was to be foreign.

Mr. Candy: At that time it was to be foreign.

Mr. Shibley: Now then, when we come down to design philosophy, Ellis-Don are given a rating of very good, as is Canada Square. Is that correct?

Mr. Candy: Yes.

Mr. Shibley: On what basis did you make that judgement?

Mr. Candy: That's a good question.

Mr. Chairman: I suggest that we take a recess here for 10 minutes.

The committee adjourned for a 10-minute recess.

5
Tape H 484 follows

June 14/73
5.00 to 5.05 pm
DT

Mr. Chairman: Well, ladies and gentlemen, I call the meeting back to order. They have indicated there may be a vote in the House shortly, so we will try and cover a bit of ground before we are disturbed.

Mr. Allan: Mr. Chairman, I wonder this time if they could let us know just about when they are getting ready for the vote and then we wouldn't go there and sit there for 20 minutes.

Mr. Chairman: Well, that's what they are supposed to do. The last time, I think, we didn't do too badly. We were ~~in~~ perhaps up there five minutes.

Mr. Allan: Oh, we were there longer. ~~_____~~

Mr. Chairman: Longer than that?

Mr. ^{W. Hodgson} ~~_____~~: Six minutes, ~~_____~~ Jim.

Mr. Allan: What?

Mr. Chairman: Oh no, Mr. Allan, I don't very often ~~contradict you~~, but I don't believe that.

Mr. Renwick: I will arbitrate ~~between~~ that dispute between the Tory members.
Mr. Chairman: Mr. Shibley.

Mr. Shibley: Mr. Candy, you will be pleased to know that I am still hopeful of finishing your examination this afternoon, so ~~_____~~ if we ^{can all} ~~work~~ work a little harder for a little while we may be out of here early. I want to deal next with you with the pro-ration that went on as part of the same exhibit on page 30. You notice the rental rate ^{and} proposed ~~the~~ equivalent cost ^{at} ~~_____~~ \$34 ~~per~~ per square foot. ~~_____~~
To begin with, Mr. Candy, you have already said that this was Mr. Mink's concept. Is that correct?

Mr. Candy: That is correct.

Mr. Shibley: Was there ever any discussion between yourself and Mr. Mink directed to the effect of pro-ration upon the comparative position of Canada Square and the other developers?

Mr. Candy: No, I would say not. When we had established the quality of the building at \$34 ~~per~~, the idea of pro-rating them to bring them to a common denominator was Mr. Mink's idea;

June 14/73
5.00 to 5.05 pm
DT

(Mr. Candy)

and I quite frankly felt that it was quite a fair way of doing it.

Mr. Shibley: Why do you say that?

Mr. Candy: Well, I think that you could have taken any figure. You could have brought somebody down and the others ^{but} ~~and~~ brought them all to some common denominator, so ~~it put them all on the same basis, which~~ it put them all on the same basis, which was what we were really trying to do.

Mr. Shibley: Notwithstanding that, you were dealing with three other developers of experience and reputation in the field.

Mr. Candy: Yes.

Mr. Shibley: ^{who} ~~was~~ had proposed buildings to you of a quality that they believed met the standards laid down by you at a cost less than \$34, ^{remained} ~~you~~ rigid in your thinking that it should be \$34 ~~per square foot~~. Otherwise, you weren't getting the building you wanted.

Mr. Candy: That is correct, Mr. Shibley.

Mr. Shibley: Why would you reject the assessment of three other developers that they could provide you with such a building at a lower cost and pro-rate the estimates downwards rather than upwards?

Mr. Candy: Well, I think as I probably said the other day, when you look at buildings ^A and I went around and looked at buildings ^A if you walk in as a layman to look at a building, you look at the floor and the walls and the ceiling and so on, ^{But} ~~that~~ that doesn't give you the quality of that building. Really, there are so many other things involved in the quality of a building which are required. I felt that in establishing this \$34 ~~per square foot~~ quality that we were establishing ~~something that~~ a goal which we felt we had to achieve in order to get the quality that we were demanding for this particular building.

Mr. Shibley: Well, Mr. Candy, I put it to you very squarely, it appears that because the effect of pro-ration was to make the Canada Square bid more competitive, that this ~~may have been part of the reason for doing it and I want~~

June 14, 1973
5.05 - 5.10 p.m.
M.R.

(Mr. Shibley)

~~... reason was to make the Canada Square bid more competitive~~

that this may have been part of the reason for doing it;
and I want your unequivocal comment in that connection.

Mr. Candy: All right, let me tell you how I did it, my thinking in doing it at the time, ~~And~~ I did this after I had received the proposals. At that time, I had not really given too much thought to this. Now, ~~as~~ as I said before, ^{I had} been working along with Canada Square. And what I actually did: I took the cost ^{of} the previous ~~the~~ building which we had ^{right here}, which had been accurately estimated. The estimate by Hanscomb Roy was always based on the 1968 price. When we finally wound up this contract and paid off the architects ^{11.2} 75 per cent of their fee we went into that building very thoroughly trade by trade. We took the escalation of the labour and the material in every trade and we came up with a total escalation of 10.4 per cent in that building.

Now that brought that building, as of December 31st, 1969 ^{to} ~~at~~ \$29.73 a square foot. Now I knew that in 1970 we had a 10 per cent escalation and I knew that in 1971 there was about a 10 per cent escalation. Actually, according to the indexes, that escalation was about 19.6 ~~but~~ I took 20 per cent. ~~and~~ I added 20 per cent to that cost, which is about \$6 by itself.

So I was already up to \$35 or \$36 without including interim financing and ~~design~~ design fees. Now I knew that in that building, as I have outlined before, there were certain things about that building in which I felt we could reduce some cost.

At ~~that~~ that point I had two figures. I had \$34 and I had \$26. And there was no way that I could see that we could possibly get what we wanted for \$26. And I ^{deducted} ~~deducted~~ from that point that the minimum that we could accept ~~now~~ remember this is the package price ~~and~~ the minimum that we

June 14, 1973
5.05 - 5.10 p.m.
M.R.

Mr. Candy

could accept was \$34 to get the quality of building that we required.

Mr. Shibley: Now, Mr. Candy, in December of 1972, and particularly the 6th of December, I gather that you made a ~~computation~~ or a breakout of the \$34 per square foot price, and I am producing that breakout to you. Was that ~~prepared~~ prepared by you?

Mr. Candy: Yes.

Mr. Shibley: Yes. I'd like that made the next exhibit.

Mr. Chairman: ^{Exhibit} /157.

Mr. Shibley: And at the same time you prepared a further memorandum of the same date referable to the square foot costs for various buildings in the city of Toronto. And I ask that that be produced to you now and made the next exhibit.

Mr. Chairman: Exhibit 158.

You referred to the same date, Mr. Shibley, Is there a date on that first document?

Mr. Shibley: Yes. December 6th, 1972. It's cut off on your copy, but at the very top it's December 6~~th~~, 1972.

Mr. Chairman: And that's the date on the second one too?

Mr. Shibley: Yes. I realize Mr. Candy, that these are, so to speak, after the fact documentation, but dealing with Exhibit 158 first, were you alert to the relative cost of constructing the buildings mentioned in that exhibit as at the time you were making the report of April 10, 1972?

Mr. Candy: April 10. You are talking about Exhibit 157 now?

Mr. Shibley: 158. Were you alert to that information when you did the ~~preparing~~ ^{preparation} in April of 1972?

H-486 - 3

June 14, 1973
5.05 - 5.10 p.m.
M.R.

Mr. Candy: No, no I was not.

Mr. Shibley: Were you aware of the costs that

had been incurred in buildings currently under construction
or only recently under construction?

Mr. Candy: Aware about buildings currently ~~on~~

Mr. Shibley: What I'd like to know is: when you

did the prorating in April of 1972, did you know at that
time that the Simpson's Tower had cost \$34 a square foot?

~~Mr. Candy: Yes, I did.~~

H-487 to follow

June 14, 1973
5.10 to 5.15
M.T.

H-487-1

(Mr. Shibley)

~~in April of 1972. Did you know at that time that the Simpsons Tower~~
~~had cost \$34 per square foot?~~

Mr. Candy: No, I did not. No, I did not.

Mr. Shibley: Or that the Travelers building had cost
\$28?

Mr. Candy: No, I did not.

Mr. Shibley: You did not know that?

Mr. Candy: No.

Mr. Shibley: So you were just simply going on an index
of inflationary cost trends?

Mr. Candy: That is correct, and I was taking it based
on that building. It's so difficult to get the cost of any
building, really; to know what is in the cost and what isn't, and
this was the reason I went back to Ellis-Don on February 2. And
when I was talking to Horizon in his office on April 7 I asked him
the same question, when he gave me the cost, and I am sure he
was talking about Travelers building, and these costs that you see
that I got from Hanscomb Roy, these were costs as of that date.

Mr. Shibley: Yes, all right. Well then going back to
Exhibit 157, I would like to understand this analysis as it relates
to the arrangement you have with Canada Square for the reduction
of rentals, should the cost be less than \$34 per square foot. I
shouldn't say "cost"; it should be ^{should the} appraised value be less than \$34
per square foot. Can you do that for us please?

Mr. Candy: Yes. What I am indicating here by this Exhibit
157 is that ~~but~~ these are ~~the~~ all the costs that go into building
that building. ~~Now the reason~~ You will see down there I included
reflective glass, and the reason I included reflective glass is that
this is something that was added that nobody else had figured on.
But regardless of that, I was trying to get to a price that was
left after you took out your building permit, Department of Labour
approval, sewer imposts, interim financing, architects' fees, and

June 14, 1973
5.10 to 5.15
M.T.

H-487-2

(Mr. Candy)

so on and ~~get~~ down to what was left to build the building. So that we are talking ^{if} if you take out, for instance, the curve building, that was an estimate of how much more it cost for that curve at ~~that~~ that time. I have prepared other statements since then ~~and~~ in which I have omitted these two, which I think you have a copy of. But it winds up with the actual construction costs of what ~~we are~~ we are talking about being in the area of \$28 ^{or} \$29 a square foot, and the rest of it is interim financing, so that when we get through — and the cost that we are talking about of Canada Square is the complete package of building that building. When you are talking to developers this is what you are talking about, ~~the~~ the package. ~~And~~ this includes, then, not only the cost of construction but the cost of financing, the interim financing, the cost of everything that goes into that building ~~his~~ his ~~shacks~~ on the job, his overhead, but not his profit. And I have indicated by this what is left for ^{the} actual construction cost of the building. And that figure that is left at the bottom is the figure that we are now cost-controlling with Hanscomb Roy to ensure that we get that cost out of the building.

Mr. Shibley: All right. Now —

Mr. Allan: Mr. Chairman, could I just ask for one bit of ^{an} ~~the~~ explanation? The \$27.23 construction costs including contractor's overhead and profit. I wonder if you would clear ^{up} for us whether or not that ~~profit~~ profit ~~should be in there.~~

Mr. Shibley: Yes Mr. Allan, that's very much in my mind also. Mr. Candy, you used again a term in this document, "profit," and you had earlier said that there was not to be a profit referable to the construction of the building.

Mr. Candy: I know, I know. For instance, ~~if~~ if I had just said construction costs it would have been more ~~my~~ all I am saying there, Mr. Allan, is that what is left is what is ~~in~~ there to

June 14, 1973
5.10 to 5.15
M.T.

H-488-3

(Mr. Candy)

build the building. And I think when we get to examining the cost of this particular building you will find that, and that does not include profit. So it's a matter of —

Mr. Shibley: In ~~terms of the~~ ^{the} \$34 price formula for reduction of rent, when the appraisal of value, and I am using the terms used in the document ^{after} ~~before~~ —

Mr. Candy: Yes, yes.

Mr. Shibley: —when the appraised value is made, is there to be an allowance for contractor's profit?

Mr. Candy: ~~No, there will not be an allowance for profit in that.~~

Tape H-488 follows

June 14, 1973
5.15-5.20 pm
V.H.

CHAIRMAN: MACBEGH

(Mr. Shibley)

~~fact is profit.~~

Mr. Candy: No. There will not be an allowance for profit in that appraised value.

Mr. Shibley: Now, then, Mr. Candy, I don't intend to review any more of the documents with you. I want to just review some general matters. Taking you back to 1971, you have already indicated to this committee that in the spring of that year you were still suffering from the consequences of the deferral of the construction of the building which had been planned in ¹⁹⁶⁸~~1959~~?

Mr. Candy: Yes.

Mr. Shibley: And you have indicated an anxiety, as well as an ambition, to see the new head office building constructed while you were still actively engaged as chief architect for Hydro. Is that right?

Mr. Candy: That's right.

Mr. Shibley: You have also said that the first time you had any ~~from~~ communication whatsoever referable to Canada Square or any ^{of its} ~~other~~ principles, including Mr. Moog, was when Mr. Sissons instructed you to attend with ~~him~~ ^{him} and Mr. Witbeck at a meeting at the OISE building.

Mr. Candy: Yes.

Mr. Shibley: That you had no prior communication with any one referable to establishing ~~contact~~ ^a with Canada Square or Mr. Moog?

Mr. Candy: That's right. That is correct.

Mr. Shibley: That the enthusiasm, if I may use that term, with which you viewed an alliance with Canada Square emanated from your examination of the OISE building and, if I may say so, the rave notices you were getting from Mr. Brooks.

Mr. Candy: That is correct.

June 14, 1973
5:15-5:20 pm
V.H.

Mr. Shibley : And for no other reason?

Mr. Candy: That's right.

Mr. Shibley: I put it to you very frankly ~~was~~ there ever any occasion on which anyone involved in government or with the Progressive Conservative Party, ~~was~~ ^{or} with the Premier or his Cabinet, was in communication with you to encourage you to deal with Canada Square referable to Hydro's head office building?

Mr. Candy: Absolutely never at any time.

Mr. Shibley: So that, whatever conclusions this committee may arrive at referable to the measure of your enthusiasm, are you telling us under oath that that enthusiasm was generated by reasons altogether unrelated to any circumstance of the relationship ~~of~~ ^{or} friendship between Premier Davis and Mr. Moog?

Mr. Candy: That is absolutely correct. I was never motivated by anything like that.

Mr. Shibley: Now, then, Mr. Candy, you did make mention in your June 11, 1971, memorandum to a communication made to you by Mr. Moog, referable to his plans to go to Europe as an advisor to the Premier respecting further ~~finance?~~ ^{ing}

Mr. Candy: Yes.

Mr. Shibley: I want it a matter of record as to exactly what Mr. Moog said to you in that regard.

Mr. Allan: Mr. Chairman, before that question is answered, am I correct in my recollection that the word advisor was not used?

Mr. Candy: ~~Inaudible~~ ^{No, advisor}

Mr. Shibley: ~~Precisely~~ ^{I'd be obliged to you} Mr. Allan, ~~in regards to~~ ^{it's} if we can just have a moment, it's June 14, I am sorry, ~~exhibit 11,~~ June 14, and the words employed were: "He stated that he is going over to Europe in a couple of weeks and asked if he could borrow some prints of the drawings ..." That's not the one either.

June 14/73
5:20 - 5:25 pm.
M.S.

~~(Mr. Shibley)~~

~~and asked if he could borrow some prints of the drawings -- no,
that's not the one either.~~

Mr. McCallum: Exhibit 13.

Mr. Shibley: It's Exhibit 13. It's the second last paragraph on that page: "He says that he is going over to Germany next month as an advisor to the Premier of Ontario ~~from~~"

Mr. Allan: I was quite wrong.

Mr. Shibley: Yes. "As an advisor to the Premier of Ontario to arrange further financing for the province." Now, Mr. Candy, you compiled this note on June 14 and it relates to an exchange you had with Mr. Moog on June 11?

Mr. Candy: Yes.

Mr. Shibley: I want to know precisely whether this statement of what was said, is what Mr. Moog said to you; and if not, then exactly what he did say to you?

Mr. Candy: To the best of my recollection, Mr. Shibley, I think that what he said is what I have there.

Mr. Shibley: So that Mr. Moog ~~was~~ whatever was the truth of the situation, [^] said to you that he was going over to Germany in the month following, as an advisor to the Premier of Ontario to arrange further financing for the province?

Mr. Candy: Yes. I think the only change might be that he may have said he expected to go over. Now, I'm not sure whether that is correct or not, but he did mention that he expected to go over to Germany to advise the Premier on securing funds for the province.

Mr. Shibley: There's no question in your mind that he said that to you?

Mr. Candy: No, I don't think so.

Mr. Shibley: Now, relating that communication to you on that occasion, I take you again to the question that you were enthusiastic about dealing with Canada Square through the

June 14/73
5:20 - 5:25 pm.
M.S.

(Mr. Shibley)

summer of 1971

Mr. Candy: Yes.

Mr. Shibley: And, in fact, you embarked upon what I might call a collaborative effort with people at Canada Square to develop a proposal ^{FROM} them, did you not?

Mr. Candy: That's right.

Mr. Shibley: And you provided them with certain input and they provided you with certain input, is that correct?

Mr. Candy: That's correct.

Mr. Shibley: But notwithstanding that circumstance, your motivation in that respect was in no way influenced by what Mr. Moog had to say to you respecting his contact with the Premier?

Mr. Candy: Absolutely not. That had no effect on me at all. That didn't mean a thing to me as far as that was concerned. I thought that in mentioning that in the memorandum that it would reinforce the fact that he had connections for borrowing money. The political connotation of that had no effect on me whatsoever.

Mr. Shibley: Mr. Candy, to the best of your knowledge and information, have all documents in your possession referable to the issues before this hearing been produced to me?

Mr. Candy: Yes, sir. You have everything that I have.

Mr. Shibley: And to the best of your knowledge and information, can you tell us anything more as to whether any other person in Hydro was influenced by any circumstance other than what was in Hydro's best interest, referable to the making of this contract with Canada Square?

Mr. Candy: I know of no other circumstance of anybody else in Hydro. This was never mentioned to me. It was never brought up as a problem and I was never influenced by anything like that.

June 14/73
5:20 - 5:25 pm.
M.S.

Mr. Shibley: You were never party to any discussion with anyone ~~known~~

Mr. Candy: No, sir.

Mr. Shibley: ~~from~~ to the effect that because Mr. Moog was a friend of the Premier's ~~friend~~

Mr. Candy: No, sir.

Mr. Shibley: ~~and~~ this job should be directed to Canada Square?

Mr. Candy: No, sir.

Mr. Shibley: All right. Have you any information or knowledge referable to the allegation of a threat made to one of the developers?

Mr. Candy: I have absolutely no information on that. The only thing I know about that, I think it was in the paper or something. That's the only place I ever saw it.

Mr. Shibley: That's the article by Mr. McAuliffe?

Mr. Candy: Yes.

Mr. Shibley: In the Globe and Mail.

Mr. Candy: I saw it somewhere in the paper. I ~~was~~ knew about it, but I have no information about it at all.

Mr. Shibley: Mr. Chairman, I might say this at this time, Mr. Candy is going to produce certain additional documents to me that may require his further testimony later on. It's also possible that following upon the evidence of certain of the developers, it may be useful to recall Mr. Candy. ~~But at this point of time, it is my recommendation to the committee that we complete Mr. Candy's testimony.~~

June 14, 1973
5.25-5.30 p.m.
M.F.

H - 490 - 1

Chairman: Mr. MacBeth

(Mr. Shibley)

But at this point in time it is my recommendation to the committee that we complete Mr. Candy's evidence or close ~~it~~ off. I don't feel that ~~reviewing~~ ^{authoring} the supplementary documents that were either ~~offered~~ ^{authored} by him or received by him, which are that it really self-explanatory in terms of their content, would be useful to review those with Mr. Candy, ~~and fix it~~ ^{unless} members of the committee feel otherwise, my intention is to close off at this juncture.

Mr. R.G. Hodgson: Can I ask just one question, Mr. Shibley? Exhibit 14, page 2, the \$34 per useable square foot of floor space mentioned there, did it have any influence or did it influence him in any way in arriving at his calculations of ~~the~~ \$34 in the document?

Mr. ~~Shibley~~ Candy: ^{Do you know} What letter ~~is that~~ ^{we} in there?

Mr. Chairman: Do you know, Mr. Candy the exhibit referred to?

Mr. Candy: No, I am afraid I don't.

Mr. Chairman: All right, we will produce it to you. While that is being produced, I have the same question ~~the same~~ question I asked Mr. Sissons, Mr. Candy, along the line of the documents that have been presented to you or that have been presented in evidence ~~that~~ either were addressed to you or came from you, you are satisfied as to their ~~judgment~~ ^{judging of its genuineness}, that they are actual documents?

Mr. Candy: The documents that have been addressed to me here ~~or~~ [?]

~~Chairman:~~ Mr. ~~Shibley~~: No, that have been entered in evidence, I assume you have seen them all, that are either to you or from you. You are satisfied that they are the genuine documents?

Mr. Candy: Oh yes, that is correct.

June 14, 1973
5.25.5-30 p.m.
M.F.

H - 490 - 2

Mr. Renwick: Mr. Chairman, perhaps Mr. Shibley would, just in the same effort to be frank about this, ask Mr. Candy whether he received any personal or private benefit from the co-operation with Canada Square?

Mr. Shibley: I would be glad to. Mr. Candy, having regard for the manner in which you dealt with Canada Square throughout the summer and fall of ¹⁹⁷¹~~1970~~, I am thinking now in terms of reviewing some of their plans, making comments upon their proposal, and so on, was there at any time any form of compensation made to you or benefit derived by you from Canada Square or from anyone on its behalf in return for your participation along those lines?

Mr. Candy: Absolutely not. I have received nothing from Canada Square, I have never socialized with Canada Square, I have never been on their boat, ~~I have never~~ Every meeting I have had with Canada Square has been on a strictly business basis, and I can assure you that I have received nothing out of this whole thing.

Mr. Chairman: But headaches! Mr. Renwick, I do n't want to cut you off but they are telling us that the vote is ready to be taken. Mr. ^{R.G.}Hodgson hasn't had an answer to his question yet, ~~we~~ we will get Mr. Hodgson's answer unless there are additional questions.

Mr. Renwick: I have no further questions.

Mr. Chairman: All right then, ~~then~~ let's have the answer to the question.

Mr. Candy: Could I just answer this? Mr. Hodgson, this refers, this is the \$34 for ~~the~~ ^{the} in my memorandum that I forwarded to Mr. Sissons I mentioned there \$32. My understanding was it was 500,000 square feet at \$16 million, which was \$32. I didn't know until this inquiry that they were talking ~~about~~ ^{about} the \$34, so this had absolutely nothing to do with my fixing the price of \$34.

Mr. ^{R.G.}Hodgson: You would say that it was a coincidence then?

JUNE 17, 1913
5:25.5-39 p.m.
M.F.

H - 490 - 3

Mr. Candy: Well, it may be a coincidence but it had
nothing to do with it.

Mr. Chairman: Mr. Candy, ~~xxx~~ it has been a grind for you,
~~we~~ appreciate you being with us and giving us the help you
have. The committee will meet again on Monday at 3 p.m.

The committee adjourned at 5:30 o'clock, p.m.

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Page</u>	<u>Description</u>
155.	468-1	Draft Report - April 4, 1972 - by K.H. Candy and F.J. Mink re Head Office Development
156.	468-1	Draft Report - April 4, 1972 - by K. H. Candy re Head Office Administration Building
157.	486-2	Memo - December 6, 1972 - by K. H. Candy re Cost Analysis, New Head Office Building
158.	486-2	Memo for file - December 6, 1972 - from K.H. Candy re Construction Costs and Rental Rates of Other Buildings

#19
LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Monday, June 18, 1973.

101-525

APPEARANCES

Committee members:	J.N. Allan
	J.E. Bullbrook
	I. Deans
	M. Gaudet
	L.C. Henderson
	R.G. Hodgson
	W. Hodgson
	J.P. MacBeth (Chairman)
	W. Newman
	J.A. Renwick
	G.W. Walker
Clerk of the committee:	Paul Moore
Committee counsel:	R.E. Shibley, QC
Ontario Hydro counsel:	Pierre Genest, QC
	James McCallum, QC
Canada Square Counsel:	Douglas Laidlaw, QC
Former Commissioner, Ontario Hydro:	Lt-Col. A.A. Kennedy
Manager, Building and Office Facilities, Ontario Hydro:	J.L. Witbeck

List of exhibits introduced during this sitting appears on last page.

LEGISLATURE OF ONTARIO
SELECT COMMITTEE - HYDRO HEADQUARTERS

The committee met at 3.10 o'clock, p.m. in the members' board room.

Mr. Chairman: Ladies and gentlemen, I call the meeting to order.

Mr. Shibley, I understand you wish Mr. Witbeck as the first witness this afternoon. I would ask Mr. Witbeck to come forward.

Mr. Genest: Mr. Shibley, I thought we had arranged because of Col. Kennedy's commitments we would be taking him first. Have I misunderstood?

Mr. Shibley: Mr. Genest, I am sorry, I thought when we were discussing that, we were talking about him going first immediately following Mr. Witbeck and Mr. Gordon, but if you intended him to be called today, I could ---

Mr. Genest: Oh, I'm sorry, I was going to ask you to do that because Col. ~~Kennedy's~~ ^{Kennedy's} wife ~~is taking him to hospital~~ had to be taken to hospital and he may not be available the rest of the week and he is here today.

Mr. Shibley: I am quite prepared to go to Col. Kennedy if you want to call him next.

Mr. Genest: Thank you very much.

Mr. Chairman: Yes, Col. Kennedy, ~~if~~ if you will be seated, please.

LT.COL. A. A. KENNEDY, sworn

Mr. Shibley: Col. Kennedy, I understand that you are a Commissioner of Ontario Hydro?

Col. Kennedy: I was a Commissioner of Ontario Hydro.

Mr. Shibley: What term did you serve?

Col. Kennedy: About 16 years.

Mr. Shibley: I see. And were you a commissioner during the period 1969 through to the end of 1972?

Col. Kennedy: Yes.

Mr. Shibley: And as such, did you have to do with the decisions referable to the abandonment of plans for a head office building in the latter part of 1969 and the revival of plans for a new building in 1971 and early 1972? *(And throughout)*

Col. Kennedy: I did, yes.

Mr. Shibley: Now, Col. Kennedy, _____

Col. Kennedy: My name, ~~_____~~ really, is Lieutenant-Colonel Kennedy.

Mr. Shibley: All right. How do you prefer to be addressed? *Sir?*

Col. Kennedy: Well, in this case, the only rank that I hold now is an honorary rank. Probably Mr. Kennedy would be better.

Mr. Shibley: Mr. Kennedy, the first meeting at which this matter appears to have been discussed by the commission as a formal topic was on June 29, 1972. Does that accord with your own recollection?

Col. Kennedy: It does indeed. As a matter of fact, I have been privileged to review that meeting and the minutes.

Mr. Shibley: Did you participate in any discussion or receive any written or oral communication from ~~any~~ anyone referable to the subject matter of that meeting prior thereto?

Col. Kennedy: I think you should repeat - yes,


Col.
(Mr. Kennedy)

H-491-3

June 18/73
3.10-3.15 p.m.
E.M. 5

would you repeat the question?

Mr. Shibley: Yes; what I am thinking of, Mr. Kennedy,
is this: There were certain investigations being conducted by
the staff of Hydro during the period April 1971 and continuing
right up until the meeting ~~of June 29, 1972~~



(Tape H-492 follows)

June 18, 1973
3.15-3.20 p.m.
M.F. 6

H - 492 - 1

(Mr. Shibley)

~~started April 1971 and continuing right up until the meeting~~
of June 29, 1972. I want to know whether you, as a commissioner, were made aware of those studies and the recommendations and decisions that were being taken by staff.

Col.
~~Mr.~~ Kennedy: Officially, no. But definitely, of course, by reason of the fact that this ^{was} ~~was~~ a big operation as far as I was concerned. I was aware, not by official communication whatever, but simply that I would be sort of remiss in my duties as a commissioner not to be aware of what had been happening.

Mr. Shibley: What was the source of that information to you?

Col.
~~Mr.~~ Kennedy: I suppose this would be rather difficult to answer but the source probably was asking questions.

Mr. Shibley: Of whom?

Col.
~~Mr.~~ Kennedy: I wish I could remember whom I asked questions of. Probably even to the extent of asking questions of the elevator operators because most of the time the elevator operators know more than anybody else does.

Mr. Gaunt: It is the same around here.

Mr. Chairman: They are the only ones with ^{the} intelligence to understand them.

Mr. Shibley: Well what was the information of the elevator operators?

Mr. Renwick: Maybe we should call the elevator operators.

Mr. Shibley: I was going to ask Colonel Kennedy what information was imparted to him by the elevator operators, or by anyone else. I think you should be specific about what information was imparted.

Mr. Kennedy: Well let's go back then -----

Mr. Shibley: How early were you aware that plans were under way to revise the building of a new headquarters for Hydro?

Col.
~~Mr.~~ Kennedy: I would say probably a year ~~or~~ earlier.

Mr. Shibley: And in that respect were you made aware

H - 492 - 2

(Mr. Shibley)

that a lease-purchase type transaction was being considered?

Col.
Mr. Kennedy: Definitely.

Mr. Shibley: We are ^{now} talking, I gather, about a time being July, August, of 1971, is that correct?

Col.
Mr. Kennedy: That is quite possible, yes, I would have to refer to ~~it was, there were~~ a great many things -----

Mr. Shibley: You received information during the summer of 1971 that a lease-purchase was being considered?

Col.
Mr. Kennedy: Yes. As a matter of fact, would you like me to state earlier that in 1969 and 1968 there was a question of a building that was going to be contracted for by Ontario Hydro. You have this in evidence anyway, let's not worry about this.

As far as I was concerned it became very important as the years went on to have this question resolved, and of course I was aware.

Mr. Shibley: Thank you. I want to ~~direct~~ direct your mind particularly to the concept of a lease-purchase type transaction. You ^{are} were aware that this was under consideration in the summer of 1971? Is that correct?


Col.
Mr. Kennedy: Definitely.

Mr. Shibley: Who brought that information to you?

Col.
Mr. Kennedy: Well I rather question who brought the information to me. As I say this is purely and simply a thing, as far as I was concerned, ~~that~~ I hoped that someone would come up with a concrete plan to build a new building.

Mr. Shibley: Were you aware that discussions were taking place with principals of Canada Square respecting a lease-purchase agreement during the summer of 1971?

Col.
Mr. Kennedy: I think that it was discussed from the standpoint of - in order to arrange, not arrange, I think that is the wrong word - in order to move into a new area that Hydro was not completely conversant with, and believe me this is part of ~~the~~ any sort of effort that Hydro makes on any big business



June 18, 1973
3.20 to 3.25
M.T. 8

H-493-1

Col.
Mr. Kennedy) makes; you do engage -

~~indeed~~ in discussions with people whom you think are the best in the field. This applies as far as building big machinery is concerned or building anything. This is an area that was completely foreign to the policy of Hydro at that time.

Mr. Shibley: At that time being the summer ^{of} 1971?

Col.
Mr. Kennedy: Yes.

Mr. Shibley: And were the other commissioners similarly aware that discussions were taking place as between staff of Hydro and principals of Canada Square during the summer of 1971?

Col.
Mr. Kennedy: I believe they were, yes.

Mr. Shibley: In that connection, Colonel — Mr. Kennedy, I can't get over the habit, aside from being aware that conversations and investigations was underway, were any further particulars provided to you as a commissioner at that time?

Col.
Mr. Kennedy: No.

Mr. Shibley: Were particulars given to you as at November, 1971?

Col.
Mr. Kennedy: I would have to refer to the minutes of the meeting, in

Mr. Shibley: As I say, Mr. Kennedy, ~~the only formal meeting~~ the first ~~or~~ formal meeting of the Commission which evidence, ~~is~~ a review or discussion is the meeting of June 29, 1972.

Col.
Mr. Kennedy: Yes that

Mr. Shibley: That's why I started at that point. I want to know whether you, as a commissioner, quite independently of any meeting of the Commission, received any formal advice or documentation referable to a lease-purchase type transaction.

Col.
Mr. Kennedy: No.

Mr. Shibley: So you received ^{nothing} in November, 1971, is that correct?

Col.
Mr. Kennedy: To the best of my knowledge.

June 18, 1973

3.20 to 3.25

M.T. 9

H-493-2

Mr. Shibley: Did you receive anything in early March, 1972?

Col. Kennedy: ~~I am~~ I ~~am~~ couldn't be absolutely sure, but I ^{did} feel that there was no —

Mr. Shibley: There was a report compiled by Mr. Candy and Mr. Mink, dated April 10, 1972, and I understand from earlier evidence that that report was available and commented upon by Mr. Nastich at the ~~me~~ meeting of June 29. Is ~~that~~ that correct?

Col. Kennedy: I recall the report, yes, ~~and~~

Mr. Shibley: Had you seen the report of April 10 at any time prior to the meeting of June 29, 1972?

Col. Kennedy: I may have received it. There are so many reports that do come to the attention of a commissioner that I may have received it. I don't recall reading it or ~~seeing anything~~. This probably is a dereliction *of my duty*.

Mr. Shibley: Do you maintain a file of your communications referable to your position.

Col. Kennedy: I did.

Mr. Shibley: And do you have that file yet?

Col. Kennedy: No.

Mr. Shibley: What happened to it?

Col. Kennedy: Well, when I resigned I merely said, "There are other files ~~are~~ available, why should I keep a file and that sort of thing. I was resigning, I live in a small cottage at Wasaga Beach. How would I maintain files?

Mr. Shibley: All right. When did you resign?

Col. Kennedy: In February of this year.

Mr. Shibley: ~~Now, with respect to~~ to, I am going to make this question very broad, Mr. Kennedy, we have had tabled before this committee a large ~~number~~ number of memoranda passing between various members of the staff of Hydro ~~People~~ People such as Mr. Nastich would memo Mr. Dean ~~respecting~~ respecting a financial aspect.

Col. Kennedy: Yes.

June 18, 1973
3.20 to 3.25
M.T. 10

H-493-3

Mr. Shibley: Were you, as a member of the Commission,
ever in receipt of copies of those memoranda or any of them?

Col
~~Mr.~~ Kennedy: I rather question whether I was. Certain
~~mem~~ memoranda were ~~available~~.

Tape H-494 follows

June 18, 1973
3.25 - 3.30 p.m.
M.R.

Col
(Mr. Kennedy)

~~... Rather question whether was certain memoranda were~~
available which I perused. I'm thinking of memoranda that ~~are~~
available as far as this inquiry is concerned and ~~some~~
basically I ~~am~~ don't think that I received them or didn't
receive them.

Mr. Shibley: You can't help us?

Col
Mr. Kennedy: I may have glanced through them and
as usual because there is a lot of memoranda comes up from
Hydro.

Mr. Shibley: We believe you, but you ~~am~~ can't help
us as to whether you received any of the memoranda in
question?

Col
Mr. Kennedy: I definitely cannot.

Mr. Shibley: I see. I might tell you, Mr. Kennedy,
that the minutes^S of the meeting of June 29th only references
the seven-page memorandum dated June 23rd, which was tabled
before that meeting. Do you remember that memorandum?

Col
Mr. Kennedy: No. I would have to see it before
I could ~~xxx~~ recall it.

Mr. Shibley: It's Exhibit No. 74.

Col
Mr. Kennedy: Yes, I recognize this memo. And it
was brought to me at the meeting of June 29th, as you suggest.

Mr. Shibley: Now then at the meeting of June 29th
the commission decided that a decision should be deferred.
Is that correct?

Col
Mr. Kennedy: That is correct.

Mr. Shibley: Would you tell the committee why
there was this deferral?

Col
Mr. Kennedy: Well, one of the reasons for deferral
was the fact that Mr. Nastich had questioned the financial
problems involved as to whether ~~it~~ it would be wiser to
~~xxx~~ produce a building that was built according to any sort
of instruction, it couldn't matter less because the instructions
of building the building in the architect's report had changed

June 18, 1973
3.25 - 3.30 p.m.
M.R.

Col
(~~Mr.~~ Kennedy)

since 1969. And ~~that~~ the main reason for a deferral was particularly to determine whether, in effect, ~~the proposals~~ the proposals as indicated in the memo of June 23rd were sound financially.

Mr. Shibley: Yes. Mr. Kennedy, I am showing you what is Exhibit 78 in these proceedings, a memo dated June 29, 1972, from Mr. Nastich to Mr. Dean.

~~_____~~
~~_____~~ Have you ever seen a copy of that memorandum?

Col
~~Mr.~~ Kennedy: To my knowledge, I do not think so.

Mr. Shibley: All right. In terms of content, did Mr. Nastich attend the meeting of June 29th?

Col
~~Mr.~~ Kennedy: Yes.

Mr. Shibley: Did he bring up the same points at that ~~the~~ meeting as are raised in his memorandum of June 29th?

Col
~~Mr.~~ Kennedy: I believe he did.

Mr. Shibley: ~~Is~~ that when he raised the question of the validity of the overall transaction from both Hydro's and the developer's viewpoint —

Col
~~Mr.~~ Kennedy: Yes.

Mr. Shibley: —the cost relationship between financing and constructing our building and adopting a lease-purchase arrangement?

Col
~~Mr.~~ Kennedy: He raised the question, yes.

Mr. Shibley: ~~Yes, did he also raise the question of the validity~~

June 18 18/73
3.30 to 3.35 pm
fvk

~~(Mr. Kennedy)~~

~~...he raised the question.~~

Mr. Shibley: Yes. Did he also raise the question of the validity of pro-rating the estimated capital costs of the building from the four developers? You notice in paragraph three, I'd ask you to read that, or I'll read it with you. The third point:

"The validity of pro-rating the estimated capital costs of the building from the four developers to come to an ostensibly standard comparison on annual cost per square foot."

And then he continues on the next ~~page~~ page:

"I do not have the details of the method by which this was done. I think it essential that the process be defensible to attack from disappointed developers."

Did he say all that to the meeting of commissioners on June 29, 1972?

Col. Kennedy: I do not think he did.

Mr. Shibley: What portion did he say to the commissioners and what portion did he not state?

Col. Kennedy: Basically, it is very difficult to remember exactly what words were said. Mr. Nastich definitely said:

"I would like to review this further." This, I'm sure, was one of the bases for the holding in abeyance the decision to --

Mr. Shibley: Mr. Kennedy, are you telling us then that the person who was key to the decision to defer was Mr. Nastich?

Col. Kennedy: No.

Mr. Shibley: Who was?

Col. Kennedy: I rather think the commission was, but I would swear that the commission was swayed by Mr. Nastich's decision to examine the thing from a financial viewpoint.

Mr. Shibley: That's really what I meant, Mr. Kennedy; it was his comments that made the commission pause before approving the transaction. Is that correct?

Col. Kennedy: Well, it made me pause.

Mr. Shibley: Did it make the other commissioners pause?

Col. Kennedy: I am not prepared to say what made the other

June 18/73
3.30 to 3.45 pm
fvk

Col. Kennedy)

commissioners pause.

Mr. Shibley: All right. Then the next meeting was a meeting of July 12. Is that correct? The next meeting at which this was considered.

Col. Kennedy: I believe so, yes.

Mr. Shibley: ~~Yes~~. And there is no minute of that meeting but exhibit 80 is a memorandum of Mr. Eason referable to it. It's a two-line statement: ~~the discussion~~ "Discussion took place regarding the proposed new head office. Authority was given by the commission to ~~it~~ negotiate with ^{the} Canada Square company to work out an ~~arrangement~~ arrangement which would be subject to commission approval of financial and other considerations."

That, Mr. Kennedy, is the only note that we have of that particular meeting. Can you ~~write~~ expand upon what took place on that occasion? Exhibit 80, dated July 12.

Col. Kennedy: Expanding on a discussion amongst the commissioners, and one thing and another, is pretty difficult to remember, but, as I recall it, ^{usually} this is subject to any correction at all, this is ~~purely~~ ^{purely} as I recall, as far as this discussion was concerned, it was decided ~~and~~ and this is only my -

Mr. Shibley: May I help you this way, Mr. Kennedy? Was there any further documentation placed before you ~~by~~ for your consideration, ~~other~~ other than the June 23 memorandum?

Col. Kennedy: You mean the meeting of the 29th?

Mr. Shibley: The same memo.

Col. Kennedy: Yes.

Mr. Shibley: The memo of June 23 tabled at the meeting of June 29.

Col. Kennedy: I question whether I was at this meeting on July 12.

Mr. Shibley: ^{I see,} You may not have been.

Col. Kennedy: I would like to -

Mr. Bullbrook: Could we find that out now please?

Mr. Genest: I believe he was.

June 18/73
3.30 to 3:45 3.35 pm
fvk

Mr. Shibley: You believe he was. You're indicated as having been there, according to the minutes. I'm sorry, there is no minute of that meeting.

Mr. Genest: Oh, yes. There are ~~minutes~~ ^{minutes} of that meeting, ⁱⁿ Mr. Shibley; but that ~~new~~ matter doesn't come up ~~in~~ the minutes. There was a meeting on July 12.

Mr. Shibley: But ~~that~~ it's not part of the minuted material ~~that~~ that there was any discussion as to the head office?

Mr. Genest: That's right.

Mr. Shibley: ~~Notwithstanding that.~~

(Tape H 496 follows)

June 18, 1973
3.35-3.40 p.m.
M.F.

H - 496 - 1

(Mr. Shibley)

~~material that if there was any discussion as to the head office?~~

~~Mr. Genest: That is right.~~

Mr. Shibley: Notwithstanding that was the meeting at which the commission approved ~~the~~

Mr. Genest: No, no, July 19th was the meeting at which the commission approved. There was a brief informal discussion on July 12th, Mr. Shibley; I think you have that in our evidence; and on July 19th the formal decision of the commission of approving ^{the} contract ~~the~~ deal.

Mr. Shibley: I realize that but this note I ~~have~~ ^{says} have of Mr. Easson, ~~his~~ authority was given by the commission to negotiate with Canada Square.

Mr. Genest: It is a memorandum to file, Mr. Shibley. Nobody saw it; it is not in the minutes.

Mr. Shibley : Was there a decision taken at the meeting of the commission on July 12th that authority should be issued by the commission to negotiate with Canada Square?

^{Col}
~~Mr.~~ Kennedy: Are you asking me that question?

Mr. Shibley: Actually I am asking Mr. Genest.

Mr. Genest: We don't think so, Mr. Shibley. The official decision was made on the 19th of July following a meeting between Mr. Dean and Mr. Gordon and the Chairman dealing with the matters raised by Mr. Nastich, ~~and that apparently was~~ The memorandum to file that you have is a note of an informal discussion that was ~~the~~ taken down by Mr. Easson, not put in the minutes, and filed away in his file.

Mr. Shibley: All right, ~~So~~ can we take it as a established that as of July 12th nothing further of a documentary nature was tabled with members of the commission to permit them to assess the transaction?

Mr. Genest: That is correct.

Mr. Shibley: The next document, Mr. Kennedy, I want

June 18, 1973
3.35-3.40 p.m.
M.F.

H - 496 - 2

(Mr. Shibley)

you to look at is exhibit 84, dated July 19, 1972, styled "Advice of Commission Decision," and you will note in the first paragraph, Mr. Kennedy, the proposal to proceed with a new ^{building} head office, ^{the} was again considered and ^{the} a seven-page memo dated June 23, which had been previously ^{reviewed} by the commission ~~briefly reviewed~~

^{Col}
~~Mr.~~ Kennedy: Briefly reviewed."

Mr. Shibley: I am sorry, ^{briefly} reviewed, thank you, better still, ^B Briefly reviewed by the commission at meetings of June 29 and June 12, 1972, was resubmitted today."

Mr. Genest: June 12th, ~~was resubmitted~~

Mr. Shibley: "June 23 and July 12th, 1972." I am not cross-examining you, Mr. Genest. All I am trying to do is establish precisely what material came before the commission on the series of meetings leading to the authorization that issued on July 19th; and Mr. Kennedy, can I take it that it was the same memorandum of June 23 and no other that came before the commission on all three meetings?

^{Col}
~~Mr.~~ Kennedy: ~~was resubmitted~~ I recall this ~~was resubmitted~~ commission decision. As far as I know, basically there was no other ~~Mr. Shibley: was resubmitted~~ official document. I question again whether ~~was resubmitted~~ I presume I was there on the 19th of July; I haven't got a diary with me.

~~Mr.~~ Shibley: Colonel Kennedy, what I am anxious to ascertain is this; On the 29th of June Mr. Maston said that he wanted to do some further review, and the commission deferred its decision.

^{Col}
~~Mr.~~ Kennedy: Yes, that is correct.

Mr. Shibley: I want to know whether by July 19 and earlier, by July 12th, whether anything further was tabled with the commission to expand upon the information upon which it was asked to found the decision to go ahead with Canada Square?

^{Col}
~~Mr.~~ Kennedy: To my knowledge, no.

June 18, 1973
3.35-3.40 p.m.
M.F.

H - 496 - 3

Mr. Shibley: All right. Now then, one of the questions raised by Mr. Nastich was the method of pro-rating the cost of construction. Do you remember that?

Col
Mr. Kennedy: Yes.

Mr. Shibley: What discussions took place at the commission level at any one of these three meetings in that regard?

Col
Mr. Kennedy: If any, very little. May I expand on that?

Mr. Shibley: Yes, surely.

Col
Mr. Kennedy: One of the greatest ^{basics} ~~basics~~ of operating any business is to either ~~place trust in the individual~~

Tape H - 497 follows

June 18/73
3:40 - 3:45 pm.
M.S.

Col.
(Mr. Kennedy)

~~One of the greatest bases of operating any business is to either~~
place trust in the individual who is responsible for these things,
or to fire him. There's no way that you can do one thing or the
other. Whether Mr. Nastich did question the method, whether he
produced an alternate method, I am sure there was never any
discussion about it. Either Mr. Nastich agreed finally after an
examination that this was right, or he disagreed. But I have
never heard any great question as far as I am concerned.

Mr. Shibley: In other words, Mr. Kennedy,
notwithstanding that the prorating was, so to speak, highlighted
as a matter for review by Mr. Nastich; your evidence is that it
was never the subject matter of discussion at the Commission
meetings of July 12 and July 19?

Col.
~~Mr. Kennedy~~ Kennedy: As far as I am aware, no.
From that I concluded that Mr. Nastich agreed with the question
of pro-rating.

Mr. Shibley: Was he at the meeting of July 19?

Col.
~~Mr.~~ Kennedy: I don't know.

Mr. Shibley: Now, Mr. Kennedy, the other aspect
of the agreement regarding which I would like you to direct your
thinking is the fact that it was a lease-purchase type of agreement,
as opposed to pursuing construction of your own building with your
own funding?

Col.
~~Mr.~~ Kennedy: Yes.

Mr. Shibley: Was that basic decision ever the
subject of discussion at the meetings of June 29, July 11 or July
19?

Col.
~~Mr.~~ Kennedy: I ~~consider~~ that that question was a
question of discussion from 1969 on. There is no question about
that.

Mr. Shibley: I don't know whether I'm making
myself clear, Mr. Kennedy. The material that was tabled with you,

June 18/73
3:40 - 3:45 pm.
M.S.

(Mr. Shibley)

in particular, the memorandum of June 23, 1972, that was a document composed by Mr. Mink and Mr. Candy, outlined certain considerations influencing them to recommend a lease-purchase type of transaction.

^{Col}
~~Mr.~~ Kennedy: That is correct.

Mr. Shibley: This was a different method of building this building than Hydro had ever adopted for any structure. Isn't that so?

^{Col}
~~Mr.~~ Kennedy: Yes.

Mr. Shibley: What, if any, ~~discuss~~ discussion took place at the Commission level in that regard?

^{Col}
~~Mr.~~ Kennedy: Well, first of all, I think you have Nastich's recommendation to study this and decide whether or not it would be more profitable for Ontario Hydro to build the building on its own. This was the basis of Nastich's ~~reply~~.

Mr. Shibley: So, he raised that matter at the June 29 meeting. Is that correct?

^{Col}
~~Mr.~~ Kennedy: Yes.

Mr. Shibley: Was anything said, by way of comment, on the part of any other commissioner?

^{Col}
~~Mr.~~ Kennedy: Well, I would hate to recall exactly what was said. Basically, this was purely and simply, as I can recall it, there is no way I can document this, originally in 1969, I must go back to this sort of thing in spite of the fact that this is not germane to the point. The idea of lease-purchase had been considered in 1969, but not seriously.

Mr. Shibley: I see.

^{Col}
~~Mr.~~ Kennedy: Because at that time this was more or less germane to the thinking of Ontario Hydro.

Mr. Shibley: Mr. Kennedy, what I really want to ascertain is this: By the time the ~~matter came before the Commission on June 29, 1972~~.

Tape H 498 follows

June 18, 1973
3.45 - 3.50 p.m.
M.R.

~~(b)(7)(D)~~
~~what I really want to ascertain is this: by the time the~~
matter came before the commission on June 29th, 1972, was

~~the commission~~
~~it~~ it a foregone conclusion that
you should build this building on a lease-purchase basis
or was it still very much an open question in that regard?

Col
Mr. Kennedy: I would not really think so. I
think there was still an open question. But I think the
question was narrowing. Are you trying to ask me who
decided and where the idea of lease-purchase came into the
picture?

Mr. Shibley: What I'm really asking you, Mr. Kennedy,
is how much of a contribution did members of the commission
make towards making that basic judgement to proceed by lease-
purchase as opposed to building your own building with your
own funds?

Col
Mr. Kennedy: I think the commission was completely
open-minded about that problem.

Mr. Shibley: I'm not quite sure I understand that
answer.

Col
Mr. Kennedy: Well, what answer should I give you?

Mr. Shibley: I don't want to put an answer in
your mouth, Mr. Kennedy. What I really want to know is what
went on. Whether it was a case of the staff having done all
this work-up ~~that~~ ^{that} they made their decision as to what was
recommended and the commission simply adopted that, or whether
there was initiative on the part of the commissioners in
respect of this decision.

Col
Mr. Kennedy: I think that probably the most
important thing ^{and} unfortunately I have only tabled my
letter in answer to your questions today ^{that} is ~~to~~ again ^{one}
must review all these problems, particularly the financial
problems of Ontario Hydro,

↓

June 18, 1973
3.45 - 3.50 p.m.
M.R.

~~(Scribble)~~
Which, of course, as we have been told by everyone, almost exceed the financial problems of the government, ~~and~~ ^{are} unfortunately going to exceed that. There is no question in my mind that the question of lease-purchase had been discussed with the government long before the decision to lease-purchase was made as far as Ontario Hydro is concerned.

I think you must recall all these reasonings. In other words, it is very difficult, ~~to~~ as far as the history of places like Hydro are concerned, ~~we~~ start as of a certain day and say, "Did this happen?"

I am confident in my own mind that this question of lease-purchase had to do a great deal with the total financial ^{ing} ~~that~~ that was ~~was~~ operating as far as Hydro was concerned. I am absolutely sure that Nastich took this into consideration when he considered his own figures because he has to get the money.

There is no doubt in my mind that long before this question of lease-purchase was concerned it had been discussed with government officials. I have nothing to prove this. I have nothing to add further to that particular ~~point~~.

Mr. Shibley: Well it's a very interesting observation, Mr. Kennedy. Why do you make it?

~~Col.~~ Kennedy: Well, of course, I can toss this back to you. I should say, ^{why} "Why shouldn't I?"

Mr. Shibley: What leads ~~you~~ you to conclude that it was discussed with government long before?

~~Col.~~ Kennedy: All I need to do is read the newspapers and I find that the chairman has stated that he discussed it with Mr. McKeough.

Mr. Shibley: Other than what you read in the newspapers, have you any other reason to ~~do~~

~~Col.~~ Kennedy: I ^{had} the assurance of the chairman.

~~Mr. Shibley: That what?~~

June 18/73
3:50-3:55 pm
PLG

(Mr. Shibley)

~~papers, have you any other reasons...~~

~~Mr. Kennedy: I have the assurance of the Chairman.~~

Mr. Shibley: That what?

Col. Kennedy: That the question of lease-purchase was

discussed.

Mr. Bullbrook: In 1969?

Mr. Shibley: I was just going to ask him when.

Col. Kennedy: I don't ~~know~~ know about 1969 I do know that

it was months and months before. Remember, we had been looking forward to the building of a new office building, which, had it been constructed in 1969, would have cost ^{about} 20 per cent less than it is now. It could have been ~~done~~ done one way or another, and I am not blaming the government because of reasons one way or another.

Mr. Shibley: Well, Mr. Kennedy, what I think we are interested in at the moment is when did the Chairman advise you that there had been communication with government, respecting a lease-purchase type arrangement for this building?

Col. Kennedy: I wish you had ~~w~~ warned me to bring, not my diary, but my wife's diary, because ~~she~~ she will probably be able to tell you exactly the date. I have no great knowledge, but I do know that it was in 1971.

Mr. Shibley: In 1971.

Col. Kennedy: Well, probably. ~~More~~

Mr. Shibley: Now that would mean, of course, that the communication ~~itself~~ itself would have had to be in 1971 also. It would have to have preceded his telling you about it, is that correct?

Col. Kennedy: Yes.

Mr. Shibley: Well then, would you, after you leave here today, produce to Mr. Genest, so that he might produce to me, the diary that you say will telescope that date?

Col. Kennedy: I am afraid my wife couldn't produce that. She ~~can~~ can tell you a great many things about where I was and what

June 18/73
3:50-3:55 pm
PLG

Col
(Mr. Kennedy)

happened to me.

Mr. Shibley: I beg your pardon?

Col. Kennedy: I am afraid that my ~~next~~ wife's diary ~~doesn't~~ doesn't go to that detail, when I became apprised of this fact, and —
~~_____~~

Mr. Shibley: Even if you could ascertain, from whatever source, what that date was and communicate it to Mr. Genest — Just telephone it in to him as to the best recollection that you can formulate as to that date. Would you do that please?

Col. Kennedy: I would indeed. As I say, this is going to depend entirely on memory.

Mr. Shibley: Yes. Now then, Mr. Kennedy, as of July 19, 1972, was the matter of the effect of an exchange rate on foreign borrowings by any developer brought to the attention of the Commission?

Col. Kennedy: Do you mean by that, ^{were} ~~_____~~ particular items brought up?

Mr. Shibley: Yes.

Col. Kennedy: As far as ~~_____~~

Mr. Shibley: The Commission is concerned.

Col. Kennedy: I believe it was ~~_____~~ pointed out, yes.

Mr. Shibley: All right. Then, ~~_____~~

Mr. Bullbrook: Would you ask, Mr. Shibley, what the witness's understanding of it was?

Mr. Shibley: Thank you. What was your understanding in that respect? I am now ^W talking about the effect of the exchange rates.

Col. Kennedy: Well the understanding was, of course, that the cost of the building, as far as the cost was concerned, had to do with the variation in the exchange rate, yes.

Mr. Shibley: Did you understand that the effect of a ~~_____~~ fluctuation of exchange rate was at Hydro's risk under the terms of the agreement with Canada Square?

Col. Kennedy: If Hydro were to build a building of its own, the ~~the~~ fluctuation of the exchange rate would still be the ~~_____~~ same,

June 18/73
3:50-3:55 pm
PLG

Col
(Mr. Kennedy)

wouldn't it?

Mr. Shibley: That all ~~the~~ depends ~~on~~ upon the terms upon which you borrowed, Mr. Kennedy.

Col
Mr. Kennedy: I grant you that I am throwing back an answer, but this was an independent decision of my own.

Mr. Shibley: Mr. Kennedy, what we want to know is whether the Commission knew at the time it was making its decision, in July of 1972, did it then know that dealing with Canada Square subjected it to the risk of a fluctuation in exchange rate?

~~Mr. Kennedy: I cannot speak for the Commission~~

Tape H 500 follows

June 18, 1973
3.55 - 4.00 p.m.
M.R.~~(Mr. Shibley)~~~~to the risk of a fluctuation in exchange rate.~~Col
~~Mr.~~

Kennedy: I cannot speak for the commission.

I understood.

Mr. Shibley: You did? All right.

Col
~~Mr.~~

Kennedy: Yes.

Mr. Shibley: Now then, there is reference in an October 3, 1972 memorandum, being Exhibit 91, which I'll have shown to you. This is a memorandum of Mr. Gordon's to Mr. Gathercole on ~~October 2nd, 1972~~ October 2nd, 1972, and it says: "Following Roger Seguin's comments at a recent commission meeting I suggested to Henry Sissons that we should prepare a brief, effective statement on the rationale for Ontario Hydro's action with respect to the construction of its new office building. The idea was that we should only use this if the new building became an issue in the newspapers".

Now, Mr. Kennedy, have you any recollection of what comments of Roger Seguin's are referred to in this ~~memorandum~~ memorandum?

Col
~~Mr.~~

Kennedy: I have none at all.


Mr. Shibley: Did you ever participate in any discussion with the other commissioners or any members of the staff of Hydro referable to the circumstance that Mr. Moog, a principal of Canada Square, was a friend of Premier Davis?

Col
~~Mr.~~

Kennedy: No. You ^{have} ~~have~~ a statement - a letter to that effect, ^{which} ~~that~~ you may need as far as I'm concerned.

Col
~~Mr.~~

Shibley: You are ^{talking} ~~talking~~ about your statement which is Exhibit 92, dated May 24th, 1973, which I produced to you, in which you stated Mr. Kennedy, "I have been asked by the chairman as to my recollection of a mention of ~~the~~ statement that Mr. Moog was a friend of the Premier. I have a vague recollection of that statement being mentioned in my presence. I do not know if this was at a commission meeting or during conversation. My best recollection is that the



June 18, 1973
3.55 - 4.00 p.m.
M.R.

~~(Mr. Shibley)~~

statement was made some time after the contract with Canada Square was signed. I do not recollect who made the statement or where it was made".

Col. Kennedy: Yes.

Mr. Shibley: Now, can you add anything at all to that written statement?

Col. Kennedy: ~~that~~ ^{only} I can ^{it} add as far as the statement ^{ever} I heard it, ~~had~~ ^{it} had practically nothing to do with any decision that was made before or after. I think - I'm sure it was made - at least, I feel quite confident it was made - it was purely and simply a question of what is friendship? Where do you go - this is the sort of statement it was. Is it an acquaintance you meet somewhere or what is it? It had nothing whatever to do ~~the~~ knowledge —

Mr. Shibley: Well, Mr. Kennedy, may I ask you this? Is your recollection of the statement being mentioned in your presence, a recollection of it ~~having~~ having been mentioned in connection with a Hydro person?

Col. Kennedy: No.

Mr. Shibley: Or in connection with some meeting of Hydro?

Col. Kennedy: Since making that statement, which is ~~a month~~ nearly a month ago I guess, I have ~~traced~~ racked my brains to determine where or what happened.

Mr. Shibley: Yes.

Col. Kennedy: And as far as the statement is concerned, I have nothing more to add.

Mr. Shibley: ~~What I'm particularly interested~~

H - 501 - 1

~~(Mr. Kennedy)~~

~~and as far as the statement is concerned I have nothing more to add.~~

Mr. Shibley: What I am particularly ~~un~~interested in, Mr. Kennedy, is whether your recollection of the statement is in any way connected with matters pertaining to Ontario Hydro?

Mr. Kennedy: All I can answer truthfully is I don't know.

Mr. Shibley: All right. Are you aware of any circumstance, whether it be the fact that Mr. Moog is a friend of the Premier's or whether Mr. Moog or his company support the Progressive Conservative Party, or any such collateral circumstance which affected the thinking or judgment of any one of the commissioners at the time you were deliberating upon this contract?

Mr. Kennedy: I definitely am not aware.

Mr. Shibley: Was such a matter ever raised as a consideration in your presence as it affected this contract?

Mr. Kennedy: No.

Mr. Shibley: Were you aware that Mr. Moog was a friend of the Premier's as at July 19, 1972?

Mr. Kennedy: No.

Mr. Shibley: Were you aware as to whether or not he was a supporter of the Progressive Conservative Party as of that time?

Mr. Kennedy: No.

Mr. ~~R. Glen~~ Hodgson: Or any other party?

Mr. Shibley: Or any ^{other} party?

Mr. Kennedy: Or any party, no.

Mr. Shibley: All right. I have no further questions at this time.

Mr. Bullbrook: I would like to ask some questions, if I may, Mr. Chairman.

Mr. Chairman: Mr. Bullbrook.

June 18, 1973
4.00-4.05 p.m.
M.F.

H - 501 - 2

Mr. Bullbrook: Mr. Kennedy, I want to ask you some questions relating to the knowledge of the commission, but in the context of your knowledge and your understanding? Not what the other commissioners ^{knew} or not what you think they ^{knew} but what you ~~and~~ ^{knew} and what you understood?

Now we know that in approximately 1967 ~~the~~ architects were commissioned to draft plans for a new head office building for Hydro. Were you privy to that information as a commissioner?

Col. Kennedy: Yes.

Mr. Bullbrook: And you were subsequently aware that those plans had to be scrapped?

Col. Kennedy: Yes.

Mr. Bullbrook: Now, in your function as a commissioner did you ever discuss with other members of the commission or the administration of Hydro the question of scrapping those plans?

Col. Kennedy: Yes, I am sure we did discuss them.

Mr. Bullbrook: Would you tell me when, please?

Col. Kennedy: I can't tell you exactly when. I mean when it was learned that the decision was made ~~was~~ rather than to build-----

Mr. Chairman: Mr. Kennedy, would you speak a little louder, please? Some of us are having some difficulty.


Col. Kennedy: Oh, I am sorry. Rather than to build the building according to Hydro plans and specifications, and that sort of thing, which, of course, would have called for a general contractor, the whole project was shelved for many, many months, many years, as a matter of fact, and when the thing came up again, the question came up, the point is that having moved from one type of building and probably, God knows, I don't know, how much the building would have cost, because with rising prices it might have been a good thing to build the building at the time, but to discuss ~~the~~ why the decision was made and not use the plans, you have to go to the decision first of all to go to a lend-lease proposal.

June 18, 1973
4.00-4.05 p.m.
M.F.

H - 501 - 3

(CJ. Kennedy)

Now a builder or developer, as far as I understand and believe me, I am not in the architectural business, produced a completely different set of plans where he says, "Using the two bottom floors I can make some money out of this sort of thing during the time that you are paying me rent for the top floors." This means, of course, a complete change in the concept of the original building as against the idea -----



Tape H - 502 follows

June 18/73
4.05 to 4.10 pm
DT

~~change in the concept of the original building as against the~~
idea of something that belongs to Hydro and Hydro alone and is
for the great edification and glorification of Hydro. Maybe
this is right or maybe it's wrong, but this was an understood
thing. As far as I am concerned, this was the reason.
They were saying, "All right, if you are going to go it your
own ^{own} you have been through all the documents but basically this
is why I feel the decision was made to scrap those plans, because
this doesn't fit in to the developer's idea who is going to
own the building, who must get some take-off off the bottom
floors. We really don't care about ~~the~~ him.

Mr. Bullbrook: I want to again caution you, sir,
that I am just interested in what your particular knowledge was;
and I take it from your response that you did express some
concern to someone as to the scrapping of the plans.

Col. Kennedy: I may have done, because everyone
is concerned.

Mr. Bullbrook: Well, I take it that your evidence
was that you had some discussion with someone about scrapping
of the plans.

Col. Kennedy: Probably and undoubtedly I did have,
but who or ~~where~~ where or when, I can't ~~remember~~.


Mr. Bullbrook: Could you give me the general nature
of the concern that you expressed as to the scrapping of the
plans?

Col. Kennedy: This question I find very difficult.

Mr. Bullbrook: I can assure, Colonel, that I am
not going to be difficult. If you can't recall it, I can readily
understand that you can't recall it, ^{if} and you just say to me,
I don't recall it, "sir", I am prepared to accept that.

Col. Kennedy: I do not recall it.

Mr. Bullbrook: Now, did you express at any time
to either your commission members or the chairman the question
of the obvious increase in personnel of Hydro and the fact that
the projection, had it been implemented, as exemplified in the



June 18/73
4.05 to 4.10 pm'
DT~~(Mr. Bullbrook)~~

1969 plans, wouldn't have been sufficient for Hydro?

Col. Kennedy: I think I did.

Mr. Bullbrook: Can you help us ^{by} ~~in~~ telling us with whom you discussed that?

Col. Kennedy: I probably discussed it with many people, and I probably finished up by having to accept the facts as stated.

Mr. Bullbrook: Can you tell us what the facts were?

Col. Kennedy: We are going back to 1969.

Mr. Bullbrook: Don't give me the exact facts, Colonel....

Col. Kennedy: No, but I have got to think about them.

Mr. Bullbrook: All right, think,.....

Col. Kennedy: I have been thinking about this thing for many many years, and in order to think, and I have to exhibit my concern which, of course, is more or less on the record somewhere, where I questioned the advisability of building a building in the centre of the city. But that was long ago before people talked about moving out of the city, and this is why I expressed concern about these things, not in particular terms of people but an ability to move ^{to} an area field. I only used the example, and this is where I expressed concern. I used an example of IBM, for example, who decided to move to an outward area, and this is a concern I have always expressed because actually one of the reasons that I ~~have~~ left the commission is the fact that I don't like living in the middle of the city but this is a personal thing. This has nothing to do with everybody else.

Mr. Bullbrook: Colonel, there has been evidence given before us that the personnel ~~increase~~ ~~requirements~~ requirements, acceleration in Hydro, was such that to a great extent the building, if built, in accordance....

(S-503 to follow)

June 10/15
4:10 - 4:15 pm
CA

H-503-1

(Mr. Bullbrook)

acceleration in Hydro were such that to a great extent the building is built in accordance with the 1969 plans, would not have sufficed. Now did this cause you any concern?

Col. Kennedy: I had never really considered that because I thought the 1969 plan, as developed in 1967, seemed to be quite adequate.

Mr. Bullbrook: But we are told that it wasn't adequate.

Col. Kennedy: I don't know, but it seemed to me ~~at~~ at that time to be adequate.

Mr. Bullbrook: Was the commission ever told it wasn't adequate?

Col. Kennedy: No. I mean when the plans were produced the commission said ~~it~~ ^{it} was adequate.

Mr. Bullbrook: When the plans were ~~made~~ the commission said it was adequate?

Col. Kennedy: The commission agreed, and I agreed with the commission. I am not the sort of statistician who can project things ~~far into~~ to 1985 or anything else. I don't know about that. I have to accept the advice of the professionals.

Mr. Bullbrook: Colonel, that is exactly my point, and were I commissioner I thought I would have been concerned. You make mention in your response that you would have thought that we would project through to 1985. I am concerned that in 1969 the commission authorized the drafting of plans, or ~~in~~ rather in 1967, ^{that} ~~it~~ came to fruition in 1969 ^{was} but according to the evidence thus far were to a great extent outdated in 1971. Did the commission, or did you yourself express to the senior administration some concern in this regard?

Col. Kennedy: As I recall, the original plan was to build a certain building and then add X number of storeys to continue that building. This was the basis as I recall, ~~with~~

Mr. Bullbrook: So that your understanding is, or was, sir, and you will correct me, that in effect the building as proposed in the 1969 plans could have been added to as required?

H-503-2

Col. Kennedy: I believe that is correct.

Mr. Bullbrook: I want to get into the question of lease-purchase. I just want to understand fully what you understand by lease-purchase.

Col. Kennedy: ~~Do you~~ want this in a long dissertation? ~~can~~ I understand that someone provides a certain amount of money and builds a certain building to a certain specification, and that at the end of X number of years you have bought the ^{thing} ~~thing~~. It is just the same, as far as I am concerned, as taking a 30-year mortgage on your own house, which evidently everyone does today.

Mr. Bullbrook: To a great extent that is my understanding of what lease-purchase is too.

I want to refer you back now to exhibit 76, sir; that is the minutes of the commission meeting.

Mr. Genest: Which exhibit, Mr. Bullbrook?

Mr. Bullbrook: Exhibit 76.

Col. Kennedy: Of the 23rd?

Mr. Bullbrook: Yes.

Mr. Genest: Sorry, Mr. Bullbrook, that is not the minutes. That is a memorandum for files dictated by Mr. Eason—

Mr. Bullbrook: Oh, I'm sorry.

Mr. Genest: ~~Memorandum~~ In it it merely says that consideration was deferred.

Mr. Bullbrook: As I understand your evidence given to Mr. Shibley, our counsel, the commission at its meeting of ~~the~~ June 29, 1972, decided because of Mr. Nastich's reservations not to make a firm commitment as to the lease-purchase avenue. Would that be correct?

Col. Kennedy: That is correct.

Mr. Bullbrook: You'll also notice that that Memorandum ~~to~~ File authorizes Mr. McCallum to begin the drafting of a contract with Canada Square.

Col. Kennedy: Is that, ^{yes} ~~no~~?

Mr. Bullbrook: Yes, it is in front of you there.

Col. Kennedy: Oh, yes.

June 18/73
4:10 - 4:15 pm
CA

H-503-3

Mr. Bullbrook: Can you help me as to what if any discussion you had, or any other members of the commission had, as to what to me appears to be an anomalous situation. That is, no decision has

H0504-1 follows

June 18, 1973
4.15-4.20 p.m.
M.F.

H - 504 - 1

(Mr. Bullbrook)

~~what to me appears to be an anomalous situation, that is,~~
~~no decision~~ as to the lease-purchase route because of Mr.
Nastich's reservations, ^{but} ~~the~~ authorization to eminent counsel
to begin negotiating ^a ~~the~~ contract ^{with} ~~one~~ individual ^{developer} ~~development~~.

^{Col} ~~Mr.~~ Kennedy: I think -----

Mr. Shibley: Mr. Bullbrook, excuse me, I think in fairness to this witness, the balance of that memorandum should be referred to, because I think the answer to your question is assisted by the balance,

Mr. Bullbrook: ^{I think} ~~which~~ you had gone into. ^{that} Let me read this then into the record again. "This would be done", from there you want it read, Mr. Shibley? "This would be done?"

Mr. Shibley: Yes.

Mr. Bullbrook: "This would be ~~the~~ done for the purpose of ensuring that in the final decision the commission would have the fullest information and an outline of the advantages of whether it should construct a building itself or enter into some form of lease agreement." I appreciate that, Mr. Shibley.

Mr. Shibley: Thank you.

^{of the Commission}
Mr. Kennedy: I think this probably explains the situation ~~that was mentioned~~. In any large project it becomes important, before one calls for tender, to get the best information that is available. I mean, after all, this lease-purchase agreement was something that we knew nothing about except, like in my own case, mortgaging a house. It is only natural that one picks sort of a lead person and says, "What sort of a contract would you draw?" Then having retained counsel to do this, you are in the position to write up a contract, not only a contract but a tender, for the things that are entertained in that particular thing. This is a pretty standard sort of thing in big construction.

Mr. Chairman: Mr. Kennedy, there are more here than Mr. Bullbrook who want to hear what you are saying. When you

June 18, 1973
4.15-4.20 p.m.
M.F.

H - 504 - 2

(Mr. Chairman)

lean back like that and look at Mr. Bullbrook you cut off those behind you and those over on this side.

^{Col}
~~Mr.~~ Kennedy: I apologize.

Mr. Bullbrook: Mr. Kennedy, I only have about 10 minutes so I am going to hurry this up, and without in any way fettering your response I would like you to join with me in hurrying it up.

Do I understand your evidence to be that in effect you decided to deal with ^{Canada Square} ~~candidates~~ purely for the purpose of being able to weigh their situations as against any other proposer, that might be acceptable?

^{Col}
~~Mr.~~ Kennedy: Yes, in my estimation this was probably quite right.

Mr. Bullbrook: Can you recall who at the commission meetings suggested that you deal with Canada Square at that time?

^{Col}
~~Mr.~~ Kennedy: I think there was no question about it that Kenneth Candy suggested that Canada Square having looked over the various people ^{would be the company} ~~that had been~~

Mr. Bullbrook: Would I be correct in assuming that that was based to a great extent on the memorandum of recommendation filed by Mr. Candy and Mr. Mink with the commission?

^{Col}
~~Mr.~~ Kennedy: Probably.

Mr. Bullbrook: It would be reasonable to assume that?

^{Col}
~~Mr.~~ Kennedy: Yes.

Mr. Bullbrook: Now, in connection with the next meeting of which Mr. Eason has a memo to file - ~~it is in~~ ~~the file~~ I have it in front of me, I am not going to find it. I believe ^{it} was dated July 12th ~~related~~ ~~to the meeting~~.

Mr. Shibley: Yes.

Mr. Bullbrook: Related to the meeting of July 12th. I am interested, sir, you know that Mr. Nastich had reservations, and realizing Mr. Shibley has examined you on this, I think it is of paramount importance, did you express at the meeting of July

June 18, 1973
4.15-4.20 p.m.
M.F.

H - 504 - 3

(Mr. Bullbrook)

12th your desire to have a response to ~~Mr. Nastich's~~
an explanation of Mr. Nastich's reservations?

^{Col}
~~Mr.~~ Kennedy: No.

Mr. Bullbrook: You didn't. Now, in connection with
the next meeting ^{July 29th} and I am not going to look for the exhibit
number, I believe ^{July 29th} -----

Mr. Shibley: 19th.

Mr. Bullbrook: 19th. ~~Where~~ the final decision was
made to deal with Canada Square. ~~Am~~ Am I correct in assuming
again you didn't ask for any explanation of Mr. Nastich's
reservations?

^{Col}
~~Mr.~~ Kennedy: No.

Mr. Bullbrook: You recall that Mr. Nastich's
reservations, amongst other things, were based on the question
of the validity of pro-rating the \$14 per square foot construction
costs?

^{Col}
~~Mr.~~ Kennedy: I don't necessarily recall that, I had
a feeling that Mr. Nastich was merely trying to determine
financially whether it was a good deal or whether it wasn't a
good deal.

~~Mr. Bullbrook: Well, tell me, s.e., did any member of
the commission at any of those meetings, other than yourself~~

Tape H 505 follows

June 18/73

4:20-4:25 pm

C.B.

~~_____~~
~~a good deal of whether _____~~
Mr. Bullbrook: Tell me, sir, did any member of the commission at any of those meetings, other than yourself, to the best of your recollection, ask for an explanation as to what happened to ^{Mr.} Nastich's reservation?
Col. Kennedy: ~~_____~~ I don't believe so.

Mr. Bullbrook: You don't believe so. Thank you very much.

Mr. Chairman: Are there any other questions?
Mr. Renwick.

Mr. Renwick: Colonel Kennedy, may I take it from your evidence that you were aware during the period from July 1971 to July 1972 that the Hydro head office project had been revived and that consideration was being given to a lease-back arrangement?

Col. Kennedy: Well, not necessarily ~~_____~~ to a lease-back arrangement, but ^{this} ~~project~~ seemed to be one of the avenues to approach the project.

Mr. Renwick: I believe I said consideration was being given to a lease-back arrangement.

Col. Kennedy: Yes.

Mr. Renwick: Now when it came to the period in late June of 1972 and ~~the~~ July of ~~19~~ 1972 when the matter came before the commission, ~~_____~~ could you recall for me what role you ^{7th} ~~thought~~ the government had to play with respect to approving or advising or otherwise about the head office project?

June 18/73

4:20-4:25 pm

C.B.

Col. Kennedy: Well, I am sure that prior to 1972, the question of the lease-back problem had been discussed with the government. I am certain that the contract that was made with Canada Square was made by the commission, at least as far as I know. Does that answer the question?

Mr. Renwick: Let me just pursue the two parts of ~~the first part of the question~~ that. When you say that you were sure that prior to 1972 ~~the matter of the lease-back had been discussed~~ with the matter of the lease-back had been discussed with the government, could you clarify for me ~~where~~ in what circumstances you obtained that assurance?

Col. Kennedy: Only from a standpoint of simply, I had no authority; I mean, I had no piece of paper that said that this was assured.

Mr. Renwick: But you did assume ~~it~~

Col. Kennedy: I assumed ^{from} ~~some~~ various knowledge.

Mr. Renwick: Would it be fair to say that when the matter came before you in late June at the commission meeting for consideration, and again at subsequent meetings on July 12 and July 19, you assumed that so far as government approval was concerned ~~that~~ it had been obtained?

Col. Kennedy: Yes, I did indeed; and consequently, as a result of this, the responsibility of letting a contract was because the policy, I felt, had been established.

Mr. Renwick: Had been established?

Col. Kennedy: The responsibility of Hydro was to go ahead and get the job done, whether by one

June 18/73
4:20-4:25 pm
C.B.

Col
(Mr. Kennedy)-


method or the other. Because the government, I felt, and as I say I have no great authority, but ~~the government~~ ~~had decided~~ I felt that the government accepted the lease-back policy; and the policy having been established, then it was up to the commission to do the best job it could one way or the other.

Mr. Renwick: You would be aware, Colonel Kennedy, that had the other road been taken and Hydro had wanted to borrow \$35 or \$40 million, that cabinet approval would be required?

Col
Mr. Kennedy: That is quite correct.

Mr. Renwick: ~~Would it be~~ Then, again stating my question ^{of} a moment or two ago in a different way, would that be a reason why you would assume that even if you went ^{by} ~~back~~ a lease-back arrangement that cabinet approval was required? Although the details of carrying it out were left up to the commission?

Col
Mr. Kennedy: In my estimation the government approved in principle lease-back arrangements. After the policy approval, ~~which~~ which was a policy that was necessary as far as I was concerned, ^{because it departed} ~~it departed~~ ^{from} ~~of~~ the normal sort of business of building and paying for the thing as you go, ~~it was the duty~~ ~~of the commission to~~



H 506 to follow

H 506-1

June 18/73
4:25-4:30 pm
PLG

^{Col}
(~~Mr. Renwick~~ Kennedy)

~~department with the normal sort of business of building and~~
~~paying for the thing as you go.~~ Then I felt that it was the
duty of the Commission to implement either policy. ^{One doesn't, as} far as
I am concerned, ~~wasn't~~ go running, once one has a policy,
one is supposed to implement it.

Mr. Renwick: Thank you, Mr. Chairman.

Mr. Chairman: Thank you very much ~~Mr.~~ Colonel Kennedy,
for being with us.

We will recess for five minutes and come back at that time.

[The committee recessed at 4:25 and resumed at 4:35.]

~~The committee recessed at 4:25 and resumed at 4:35.~~

June 18/73
4.35 to 4.40 pm
fvk

(~~Mr. Chairman~~) Mr. Chairman:

~~sworn~~ Mr. Witbeck, if you'll come forward now I think we can proceed with you.

Mr. Witbeck, will you give the committee your full name?

JOHN LUTHER WITBECK, sworn.

Mr. Shibley: Mr. Witbeck, what responsibility do you have in connection with your employment by Hydro?

Mr. Witbeck: My title is manager of the building and offices facilities. This has to do with the accommodating of the head office staff ^{into} offices suitable to their needs.

Mr. Shibley: How long have you held that position?

Mr. Witbeck: Since ^{October} ~~October~~, 1969.

Mr. Shibley: And in that position would you be responsible to contribute towards the planning of ^{the} ~~the~~ new head office space accommodation for the ^{integration} ~~integration~~ of Hydro head office employees?

Mr. Witbeck: Yes.

Mr. ~~Witbeck~~ ^{Shibley}: And did you, in fact, contribute to the planning of the building that was intended for construction and planned in 1969?

Mr. Witbeck: No.

Mr. Shibley: You didn't contribute to that building?

Mr. Witbeck: No, that building was quite completely designed before I came into ^{that} ~~this~~ position.

Mr. Shibley: When did you come into the position?

Mr. Witbeck: October, 1969.

Mr. Shibley: I see. Did you, on the other hand, contribute to the thinking and planning which went into the ~~new~~ building presently under construction?

Mr. Witbeck: Yes.

Mr. Shibley: In that respect, and leading up to the requirements for the new building, I produce to you a document dated January 15, 1970, being a memo from Mr. Candy to Mr. Sissons with a copy to yourself outlining the premises ^{related} ~~that ran~~ externally to your head ~~off~~ office. Do you recognize that memorandum and the appendix to it?

Mr. Witbeck: Yes, I recognize this.

June 18/73
4.35 to 4.40 pm
fvk

Mr. Shibley: And does the appendix correctly set forth the premises rented by Hydro external to your head office as at January 1970?

Mr. Witbeck: Yes, it does. ^{Very} ~~Was~~ shortly after this we took a little space at 800 Bay, which doesn't show here.

Mr. Shibley: May I have that made ^{an} ~~a~~ exhibit?

Mr. Chairman: One five nine.

Mr. Shibley: Mr. Witbeck, is this appendix an ~~outline~~ ^{been} of what has ~~been~~ called geographics; ~~some~~ scatter of the Hydro ~~and~~ employees, referenced in many of the later exhibits?

Mr. Witbeck: Yes, this indicates geographic scatter.

Mr. Shibley: And it also is the support ~~and~~ document for the cost of rented premises to Hydro as at that time?

Mr. Witbeck: Yes, the rents reflect rental costs and the geographic scatter factor is additional.

Mr. Shibley: The next document --

Mr. Witbeck: ~~Also~~ Also additional, of course, is some building ~~escalation~~ which is always in there - ~~cost escalation~~

~~Mr. Shibley~~

(Tape H-508 follows)

June 18/73
4:40 - 4:45 pm.
M.S.

(Mr. Witbeck)

~~also additional, of course, is some building escalation which~~
~~is always in there~~ - building costs escalation.

Mr. Shibley: I beg your pardon?

Mr. Witbeck: There's always some building
maintenance cost escalation, which is not shown here.

Mr. Shibley: I also wish to produce to you a
document dated November 14, 1972, styled ~~Head Office~~ ^{Head Office} STAFF 1972 - 1975".
Do you recognize that document? Perhaps I should simply ask
you if the information contained on that document, as to numbers
of staff located at the various premises, was accurate as of the
date indicated?

Mr. Witbeck: Immediately I am not able to say
it is or it isn't. May I have the origin of this, please? I know
it's approximately correct. I can tell that by the figures.

Mr. Shibley: I'm sorry, I can't help you in that
respect, Mr. Witbeck.

Mr. Witbeck: I think ---

Mr. Shibley: --- it's a document that I picked
out of a group of documents produced to me.

Mr. Witbeck: I think this is a document which I
didn't raise.

Mr. Shibley: But as to the information contained
in it, respecting the ~~same~~ number of employees and their location, is
it correct? To the best of your ---

Mr. Witbeck: Yes, it is very close. Yes.

Mr. Shibley: May I have that made Exhibit ---

Mr. Chairman: Number 160.

Mr. Shibley: Thank you. So that, as of November,
1972, there were 4,752 employees located ^{at} the various locations listed?

Mr. Witbeck: Approximately so, yes.

Mr. Shibley: Are all of these people intended to
be housed in the new head office building?

June 18/73
4:40 - 4:45 pm.
M.S.

Mr. Witbeck: The second and third items, 60 Murray Street and 11 Orde Street, will remain in our use. ~~After the new building is built, we will continue to have people of about those numbers in those two buildings.~~

Mr. Shibley: I see. Otherwise, the remaining numbers are to be housed in the head office?

Mr. Witbeck: Correct.

Mr. Shibley: Now then, there's a projection forward indicated: "Based on an assumed growth of 3% per year, the number of employees to be accommodated in the new H.O. facility by the end of 1975 will amount to 4320." Does that projection still hold true today?

Mr. Witbeck: Well, it wasn't my projection. I would say that it will probably be a little greater than three per cent. I would say the figure might be slightly in excess of 4320. That's my opinion.

Mr. Shibley: The next document I want to produce to you is ^{one} dated December 3, 1972. I believe it is called a "Space Summary." Would you please tell the members of the committee what this document indicates?

Mr. Witbeck: This shows the commission-owned buildings, the first group there. The gross areas, the square feet of rentable areas, which in our case is areas of use.

Mr. Shibley: Yes.

Mr. Witbeck: And in the case of the rented properties, it shows the ~~net rentable~~ commercially net rentable areas. And then the square feet of rentable area, in that case, represents the square feet of useable areas.

Mr. Shibley: Well now, do I take it that as at December 31, 1972, the Commission was occupying 803,000 square feet of rentable area?


H 508 - 3

June 18/73
4:40 - 4:45 pm.
M.S.

Mr. Witbeck: 803,000 square feet of useable
area, yes.

Mr. Shibley: Yes, and / — /

Mr. Witbeck: The commercially net rentable
equivalent is greater, 953,000.



Tape H 509 follows

June 18, 1973
4.45 to 4.50
M.T.

H-509-1

~~On June 18, 1973, at 4.45 to 4.50 M.T., the following was said in the committee meeting on the subject of the head office building on University Avenue:~~
~~Mr. Shibley: 953,000~~

Mr. Shibley: 953,000, and then in addition to that would be the service area, is that correct?

Mr. Witbeck: No, the service areas are not in addition to that. 803,000 includes the service areas ~~areas~~.

Mr. Shibley: As does the 953,000?

Mr. Witbeck: Yes.

Mr. Genest: No, no.

Mr. Shibley: Are you sure that's correct?

Mr. Genest: 953,226 is the exact total.

Mr. Bullbrook: Right.

Mr. Shibley: Of all items?

Mr. Genest: Of ~~the~~ 150,000 and 803,220.

Mr. Shibley: I see. All right, I see that; now I see it.

And that is inclusive of your head office building on University Avenue?

Mr. Witbeck: Yes.

Mr. Shibley: Which you intend to empty into the new head office building?

Mr. Witbeck: Yes.

Mr. Shibley: May we make that the next exhibit?

Mr. Chairman: 161.

Mr. Shibley: Now, I want to refer you to what is already Exhibit 133, Mr. Witbeck, ~~the~~ dated March 5, 1971. This is a memorandum, I believe, prepared by you for the benefit of Mr. Sissons, and it is dated March 5, 1971. Is that correct?

Mr. Witbeck: Correct, yes.

Mr. Shibley: And in summary, is it fair to say that ^{this} ~~this~~ memorandum was intended to point up to Mr. Sissons the pressing need for additional accommodation to house head office staff?

↓

June 18, 1973

4.45 to 4.50

M.T.

H-509-2

Mr. Witbeck: That's correct, ~~We~~ had just gone through an exercise where we had rented the whole of the 77 Bloor West building and done ^{much} consolidation, ~~it~~ much improvement; we had eased ~~our~~ our very crowded situation. So people had the idea generally, this tentatively general idea, all our problems were solved. Well, I wanted to point ~~out~~ out that they were solved temporarily but the solution, we couldn't sit back and wait for the future, we had to plan it.

Mr. Shibley: So that, for the benefit ~~of~~ of the committee, your ~~idea~~ thinking joins that of Mr. Candy and Mr. Sissons respecting the urgency of the need for a new head office in the spring of 1971?

Mr. Witbeck: Yes. This letter was written when we recognized that maybe we would ~~get~~ ^{head} a new office building of our own, maybe we wouldn't. It was an uncertain thing. My planning had to be done ~~in~~ in the face of uncertainty regarding our own building.

Mr. Shibley: In that respect, were you being confronted with the need to provide the space either by renting buildings owned by others or constructing your own building, ~~or~~ however the construction might be arranged?

Mr. Witbeck: The problem had to be solved, ~~in~~ the future planning had to be solved, by one of those two avenues.

Mr. Shibley: Yes, the point being you needed space one way or the other.

Mr. Witbeck: We knew we were going to need space ~~from~~.

Mr. Shibley: And either you had to rent it from outsiders in buildings owned by others or build you own building.

Mr. Witbeck: Yes, and part of this submission was not only the outside rental but further coalescing the number of outside ~~rent~~ rentals we had.

Mr. Shibley: All ~~is~~ right. Well then, you visited the OISE building in company with Mr. Candy and Mr. Sissons on June 8, 1971, Is that correct?

↓

June 18, 1973
4.45 to 4.50
M.T.

H-509-3

→ Mr. Witbeck: Yes.

Mr. Shibley: How did you come to attend that meeting at the OISE building?

Mr. Witbeck: Mr. Sissons phoned me a very few days before that and asked me to attend with him. I didn't really know quite what I was going to.

Mr. Shibley: Was that the first indication that you had from any source or in any manner that consideration was being given to a lease-purchase type transaction for your new head office?

Mr. Witbeck: ~~Something~~ I'm not quite answering your question directly but I will say this, that was the first time I had heard of a lease-purchase, and we went there and we heard about it and what we heard sounded good.

Mr. Shibley: All right. Had you heard of Canada Square prior to that date?

Mr. Witbeck: No.

Mr. Shibley: ~~Had you any dealings with Mr. Moss or anyone on behalf of Canada Square?~~

Tape H-510 follows

June 18, 1973
4.50 - 4.55 p.m.
M.R.

(Mr. Shibley)

to that date?

~~Mr. Witbeck: No.~~

Mr. Shibley: Had you any dealings with Mr. Moog or anyone on behalf of Canada Square prior to that date?

Mr. Witbeck: No.

Mr. Shibley: Hydro didn't lease any premises from him up until that time?

Mr. Witbeck: No.

Mr. Shibley: Now when you say you liked what you saw, what do you mean?

Mr. Witbeck: What I can say is really what Mr. Sissons and Mr. Candy have already said. I can put one emphasis on it. We went there, and Barry Brooks showed us around, and he was very loud in his praise of their deal with Canada Square, the deal they got, ~~and~~ their building ~~and~~ of Canada Square itself.

Now, when people are loud in their praise of something, you have to say, well, why does he say this? The thing that impressed me about it was each time Mr. Brooks said something good about the building, its maintenance or Canada Square itself or their contract, he supported it.

~~He said, you know,~~ He would make a claim and then he would say, for instance there was a roof garden, and, for instance, ~~you see there~~ ^{are} extra thermostats on the wall.

Each time he said something he demonstrated it.

~~He~~ Another thing, I was ^{already familiar} ~~in the position~~ by this time to being a building operator and knowing the problems of the big tenant in other people's buildings. So when Barry Brooks told me about their tenancy and their relationships ~~with~~ their landlord it sounded very good to me, because we were in buildings where we had good landlords and buildings where we had poor ones, and we knew them both.

June 18, 1973
4.50 - 4.55 p.m.
M.R.

(Mr. Shibley: And you were particularly informed in respect of what could be good or bad about lessor/lessee arrangements?

Mr. Witbeck: Yes.

Mr. Shibley: And you examined into them carefully with Mr. Brooks?

Mr. Witbeck: Oh, not in great depth, no. I didn't examine carefully, but I got enough of the flavour of it by asking a few questions and what he said to understand that it was a good relationship and a desirable one.

Mr. Shibley: Now then did you re-attend upon Mr. Brooks at any time thereafter?

Mr. Witbeck: No.

Mr. Shibley: Did you ever re-examine the OISE building?

Mr. Witbeck: I didn't.

Mr. Shibley: No. Did you ever have any further communication with Mr. Brooks by telephone?

Mr. Witbeck: No.

Mr. Shibley: In particular, did you ever make a call to Mr. Brooks inquiring as to whether Mr. Moog was a friend of Mr. Davis?

Mr. Witbeck: No.

Mr. Shibley: Did you ever meet Mr. Moog?

Mr. Witbeck: Not until after these hearings commenced.

Mr. Shibley: That was the first occasion. Have you ever had any communication in writing with Mr. Moog or anyone on behalf of Canada Square prior to this hearing?

Mr. Witbeck: Yes. We've begun to get into a little bit of our relationship initially through Mr. Patter, the manager of operations for Canada Square.

Mr. Shibley: Yes. When did you commence your communications with anyone on behalf of Canada Square?

June 18, 1973
4.50 - 4.55 p.m.
M.R.

Mr. Witbeck: Oh, I can't be specific. Probably last winter.

Mr. Shibley: It would be the winter of 1972-1973?

Mr. Witbeck: Yes.

Mr. Shibley: Would that be following the making of the lease-purchase agreement?

Mr. Witbeck: Yes. Following that.

Mr. Shibley: All right, ~~was~~ ^{as} Just going back again, you know that Mr. Candy reported on a meeting with Mr. Moog that he held on June 11th. Did he ever discuss the results of that meeting with you at about that time?

Mr. Witbeck: June 11th, 1971?

Mr. Shibley: Yes.

Mr. Witbeck: I can't be specific ^{as} to the June 11th meeting, but I'd hear from Mr. Candy occasionally. I knew he was meeting with Mr. Moog and talked about various things, as time went by.

Mr. Shibley: Let's take the summer of 1971. What communication did you have with Mr. Candy referable to his meetings or attendances of any kind with Mr. Moog and his associates?

Mr. Witbeck: ~~A~~ Sporadic verbal contacts with Mr. Candy only, ~~and~~

Mr. Shibley: Yes.

Mr. Witbeck: ~~to~~ ^{as} to the effect that he had met with him, was meeting with him. I recall Mr. Candy telling me that there had been drawings produced, ~~and~~ building drawings, and that at some date that I'm not able to specify now I did ~~see~~ see early drawings of a building.

June 18/73
4:55-5:00 pm
PLG

(Mr. Witbeck)

~~express right now, I did see early drawings for the government...~~

Mr. Shibley: Is that all you have to say?

Mr. Witbeck: I recall Mr. Candy ^{saying that} ~~seeing it~~ ⁱⁿ there ~~is~~ one of these drawings that I saw he had disapproved of a feature or two about the building. I remember ~~him~~ him saying that to me.

Mr. Shibley: When did he say that?

Mr. Witbeck: When? You are making it difficult for me. I can't be specific ^{as to} when. I am not able to ~~do~~

Mr. Shibley: I am sorry, members of the committee, the next document has not been ~~reproduced~~ reproduced in a number of copies. ^{is a} This document I nevertheless want to make an Exhibit, dated July 6, 1971, which references a meeting between Messrs. Carroll, Manson, and Witbeck, and ^{was} prepared by Mr. Witbeck. I ask that this be made the next exhibit, Mr. Chairman.

Mr. Chairman: 162.

Mr. Shibley: Did you prepare that memorandum, Mr. Witbeck?

Mr. Witbeck: Yes.

Mr. Shibley: I notice that it starts off, "Carroll, Manson, Witbeck met today to consider ~~the~~ what aspects of the proposed new head office building should be re-examined and discussed with the Commission architect. In ^{the} light of a probable sensitivity on the part of the architect ~~was~~ to intensive re-examination of the plan, we discussed also how we should initiate such a discussion." Just stopping there, what were you talking about, Mr. Witbeck? Were you talking about revisions to the original planned building?

Mr. Witbeck: Yes, we were. ^{On} July 6, 1971, we had just completed our planning and completed a move into 77 Bloor West, which ^{was} ~~is~~ a very big thing. About 40 per cent of our head office staff went in there. It was a massive planning and moving job, and we learned a great deal out of it. We had learned a great deal by that time and we have learned more since, and we recognized at that time that the first building ~~plans~~ plans were not entirely suitable ^{for} ~~to~~ us.

Mr. Shibley: Just stopping there, Mr. Witbeck, did you reach that conclusion in conjunction with Messrs. Carroll and Manson and independently of Mr. Candy and Mr. Sissons?

June 18/73
4:55-5:00 pm
PLG

Mr. Witbeck: Yes.

Mr. Shibley: Who are Mr. Carroll and Mr. Manson?

Mr. Witbeck: They are members of my staff. Mr. Carroll was a member of my staff who, with the leadership of the Quickborner team, planned the move of three divisions into 77 Bloor.

Mr. Shibley: Now, then, you list in this thing 10 specific items that we won't get into, as to things you didn't like about the original plan. The members will get copies of this tomorrow. ~~But~~ For the moment, what I think to be of importance, Mr. ~~Witbeck~~ ^{Witbeck}, is that as at July 6, 1971, you and your staff were independently of the architectural people and the General Manager of Services, reaching the same conclusions; namely, that features of the building as originally planned were not acceptable to you. Is that correct?

Mr. Witbeck: They were not what we would think was most desirable. We could have accepted them, of course.

Mr. Shibley: When did it first come to your attention that an altogether new design was in the offing?

Mr. Witbeck: Subsequent to this; I ~~mean~~ ^{would} say in the next ~~—~~ this is July. I would say in the next month or two months probably.

Mr. Shibley: ~~That~~ Of course, by that time ~~—~~ I shouldn't put it in ~~that~~ ^{those} terms. Were you by that time in agreement with the idea that there should be an altogether new design?

Mr. Witbeck: We were not only in agreement, we were ~~strong supporters~~ ^{strongly supportive} of it.

Mr. Shibley: I see. Well then, the next ~~—~~

Mr. Witbeck: I can give you reasons for that if you want them.

Mr. Shibley: Well, go ahead.


Mr. ~~Witbeck~~ ^{Shibley}: To refresh my memory here, I have some respects in which the first new building was not entirely suitable, and there were changes in the Statutory requirements for buildings in that period. I think Mr. Candy dealt with these, having to do with fire regulations, such as that. The air-conditioning improvements had

H 511-3

June 18/73
4:55-5:00 pm
PLG

(Mr. Witbeck)

Become ~~we~~ we had become cognizant of them; Mr. Candy dealt with these and he was ~~was~~ managing that. The first building ~~was~~ to be designed was a two-phase building and we calculated that if the first phase only was



Tape H 512 follows

June 18, 1973
5.00-5.05 p.m.
M.F.

H - 512 - 1

(Mr. Witbeck)

~~the first building to be designed was a two phase building~~
~~and we calculated that if the first phase only~~ ~~were~~ built we
would fill it by the time it was built, And then of course we
would need a second phase almost immediately. We thought that
a two-phase job wasn't what we needed at that time.

~~Mr. Shibley~~ Now in 1969-70 we really didn't know a
lot about office — I don't believe we knew a lot about office
planning. And by 1972 we knew a great deal. We had studied it,
we had observed it, we had travelled to see it, ~~We~~ had examined
this thing pretty thoroughly, and —

Mr. Shibley: Mr. Witbeck, just stopping there, Do I
take it that the number of people at head office had expanded
rapidly during the five years 1967-1972?

Mr. Witbeck: Yes, ~~from 1967 to 1972~~ it was expanding
very rapidly in that long period.

Mr. Shibley: And you were during the same period of
time being confronted with renting premises from other owners
at a variety of locations, ~~and~~ ~~was~~ this happening for the first
time?

Mr. Witbeck: Oh, Hydro had been in rented premises as
far back as I have heard records, but we were interested in
more of it at this time.

Mr. Shibley: More of it. As you say you were becoming
more informed as to what your real requirements were.

Mr. Witbeck: When I say we were ~~becoming~~ ^{becoming} more informed
I think my department put ^{IN} more study ^{AND} more thought, on this
matter.

Just let me put in a word here, on this. Anybody
who has an office building full of people, whether it is a
rented building or not, an office building full of people working, —
the cost represented by that office building full of people
will be about 90 to 92 per cent salary and benefits to them

H - 512 - 2

(Mr. Witbeck)

people working in it, and eight to 10 per cent ~~will be the cost of~~ ^{and the services} providing the space, ~~and~~ the facilities, light, heat, power telephone, paper and all else. So my job for Hydro is dealing with this eight to 10 per cent of cost. And what we recognized was that if you deal well with the eight to 10 per cent of cost, you can favourably influence or induce the productivity in the 90 per cent segment, which is the people cost. And we addressed ourselves to this problem.

Mr. Shibley: Now again, Mr. Witbeck, you and Carroll and Manson were concerning yourselves in the summer of ¹⁹⁷¹ ~~1970~~, independent~~ly~~ of any prior communication~~s~~ from Sissons or Candy, Is that correct?

Mr. Witbeck: Maybe I should be cautious about the prior commitment or discussion with Mr. Sissons. I may have discussed this with him.

Mr. Shibley: You may have?

Mr. Witbeck: Yes, it is possible I did. Not with Mr. Candy.

Mr. Shibley: I see, But you might have discussed it with Mr. Sissons?

Mr. Witbeck: It is possible I let him know what we were thinking, yes.

Mr. Shibley: I am producing to you another memorandum of July 16, 1971, outlining the thinking of Mr. Carroll and yourself as of that time, subject: "Planning with Doug Manson". Do you recognize that memorandum?

Mr. Witbeck: Yes.

Mr. Shibley: And again your studies ~~have~~ as carried forward at that time are evidenced by the content of this memo. Is that correct?

Mr. Witbeck: Yes.

Mr. Shibley: Make that the next exhibit, Mr. Chairman.

Mr. Chairman: Exhibit 163.

June 18, 1973
5.00-5.05 p.m.
M.F.

H 0 512 - 3

Mr. Witbeck: In this period we were always planning that there could be a new building, but never earlier than five years.

Mr. Shibley: When you say there could be a new building - that is what I want to ask you about, ⁱⁿ this memorandum. It talks about a possible announcement ^{of} a new building in which the initial occupancy could take place by mid-1975, that is in the first paragraph. Were you talking about a new building based upon the original plans or new plans?

Mr. Witbeck: I would say the original plans, ^{on} July 16th.


Mr. Shibley: Yes. And where did you and Manson and Carroll get the idea that a new building with occupancy by mid-75 would be constructed? That would require construction to be under way toward the latter part of that same year, would it not, or early 1972?

Mr. Witbeck: Early ¹⁹⁷² yes, it would.

Mr. Shibley: Where did you get that idea from?

Mr. Witbeck: Well, I guess I would say only because the need for it was generally recognized by all the Hydro staff.

~~Mr. Shibley: I am not sure I understand your question.~~



Tape H 513 follows

June 18/73
5.05 to 5.10 pm
DT

Mr. Witbeck: Well, I guess I would say only because the need for it was generally recognized by all of Hydco staff.

Mr. Shibley: It wasn't because Mr. Sissons had given you some indication that plans were afoot in that connection?

Mr. Witbeck: I don't think he had given me indications that plans were afoot, no, but this was always discussed as a maybe thing, so we always thought five years ahead. Every time a month went by, our planning moved ahead five years to the possibility of a building but maybe not.

Mr. Shibley: In that connection, Mr. Witbeck, I produce to you a document dated December 6, 1972, styled: "Space, New Head Office Building."

Mr. Genest: What's the date, Mr. Shibley?

Mr. Shibley: December 6, 1972. Do you recognize that document? Putting it another way; I notice again it still relates to the projected staff of 4320 people at 140 square feet for ~~the~~ ^{a total of} required space of 604,800 square feet, do you notice that?

Mr. Witbeck: Yes, I think this is Mr. Candy's document.

Mr. Shibley: Now, that would be for the whole of the Head Office staff, would it not?

Mr. Witbeck: No, the 4,320 is the amount of Head Office staff ^{that is} anticipated and was at that time by ~~Mr.~~ ^{is} Mr. Candy, that would go into the new building, that ^{is} deducting for the staff that would stay in the Murray Street ^{and Orde Street} building.

Mr. Shibley: I'm sorry, except for those two.

Mr. Witbeck: Yes. ~~XXXXXXXXXX~~

Mr. Shibley: So that even as of that date there was expected to be a surplus of space of 384,000 square feet in the new building?

Mr. Witbeck: Yes.

Mr. Shibley: The original building, as conceived, would have provided in excess of 604,000 square feet, would it not?

Mr. Witbeck: 608 ⁰⁰⁰ was the figure, ^{that} I understand ^{for}

June 18/73
5.05 to 5.10 pm
DT

(Mr. Witbeck)

phase one.

Mr. Shibley: So that you were ~~down~~

Mr. Witbeck: ^{It would} just about fit.

Mr. Shibley: ~~IT WOULD~~ just about fit, ^A and this is a projection forward to 1975?

Mr. Witbeck: Yes.

Mr. Shibley: So that, in fact, the plans as originally conceived would have accommodated the number of Head Office staff projecting forward to 1975, but no more?

Mr. Witbeck: No more; that's what I said earlier. We would have ~~built~~ the building.

Mr. Shibley: The present planning now is to sublet the 384,000 square feet, is that correct? That's the surplus space. ~~only~~

Mr. Witbeck: Yes, I would say ^{that} the amount that's to be sublet is in some question now, but that ~~it~~ was the precise figure at that date.

Mr. Shibley: Are you telling us that the projection today may be different than it was in December of 1972, that more space still is going to be required in 1975?

Mr. Witbeck: Ask that again, please.

Mr. Shibley: Are you telling us that there will be less surplus space in 1975?

Mr. Witbeck: Less than Mr. Candy's estimate here?

Mr. Shibley: Yes.

Mr. Witbeck: It is possible.

Mr. Shibley: We are not getting involved in Parkinson's law, are we?

Mr. Witbeck: No, I don't think so. Well, I shouldn't answer that, ~~because you know the staff~~, there has been continued staff growth. We ^{have} studied this back as far as 1965 and up to the present and the staff growth has been very considerable due to the capital intensive nuclear design programme. These are the major factors, I would say in staff growth. The nuclear design as part of the generation projects design; the computer

June 18/73
5.05 to 5.10 pm
DT

(Mr. Witbeck)

function has been expanding in staff, ~~The way~~

Mr. Shibley: Well, the computer function is/a ⁱⁿ
separate building, isn't it?

Mr. Witbeck: Not all the staff are. The
computers are but not all the staff associated. The thermal
and nuclear operations part, ^{the operations side} and something that has had over
these years a continuing very strong influence on staff growth.

~~for the purpose of the November 1973 meeting~~
(H-514 to follow)

H-514-1

(Mr. Witbeck)

And something that has had over those years a continuing, a very strong influence on staff growth. ~~There~~ ^{the} has been November 9, 1965 black-out, when it came to the realization of all people that the protection and control systems for hooking all these utilities together weren't adequate. So that our own system protection and control people, ~~the~~ the system planning ~~the~~ division, stations generations division and operations, ~~the~~ ^{in those areas} the commission has been spending a lot of money, and those staffs have been expanding rapidly right up. I don't know whether that expansion is still finished.

Mr. Shibley: Mr. Witbeck, are you telling us then that if you had held firm and built phase one of the originally designed building, by 1975, with what is now happening, it would not have accommodated all the people required to be accommodated?

Mr. Witbeck: I'm saying it would be about full. I would like to say, though, at this time that when we ~~have~~ had this staff growth all this time, ~~your~~ head office staff per kilowatt of generating capacity, per kilowatt of demand, per kilowatt of production, head office staff is going down.

Mr. Shibley: Rateably? It is rateably going down?

Mr. Witbeck: Rateably?

Shibley: I didn't say your rates are going down, I said the number of head office staff is going down rateably to the number of kilowatt hours ~~in comparison~~.

Mr. Witbeck: Yes, in comparison to kilowatt hours ~~our~~ capacity, the staff, are falling.

Mr. Shibley: Yes. I understand that. What I am ~~trying~~ to ascertain for the moment, though, is whether it is your evidence that the original building would have been obsolete in terms of its ability to accommodate the staff now expected to be accommodated in 1975 in your new head office building?

Mr. Witbeck: Yes. We would have been full and not known what to do next. We would have to have some other plan, some further building arrangement.

Mr. Shibley: I take it that your side of the operation within Hydro was, even as of the summer of 1971, of the view that those plans were obsolete in concept? Is that right?

H-514-2

Mr. Witbeck: Yes, they were obsolete in concept, and obsolete in size both.

Mr. Shibley: Right. Now I want ~~to take you to another topic for the moment~~ that has to do with maintenance, Mr. Witbeck. I understand from documents already filed that maintenance costs were a matter of concern to Hydro as they compared with the maintenance costs incurred in other buildings. Is that not so?

Mr. Witbeck: Who is Hydro?

Mr. Shibley: I am talking about Ontario Hydro.

Mr. Witbeck: ~~Something like~~ In these hearings, there have been statements made that Ontario Hydro maintenance costs were high, and they have been high, and in some respects they are still high. The building maintenance as opposed to cleaning is still high. But our costs were never as high as many people in Hydro were talking about them, the reason being that things were called maintenance, both ^{on} the office cleaning janitor side and ^{on} tradesmen side. Things were called maintenance and entered in the accounts as maintenance which really weren't.

Mr. Shibley: Mr. Witbeck, you realize that one of the factors that was pointed up in the report of Mr. Candy and Mr. Mink, dated April 10, was the circumstance that Hydro's maintenance costs historically had been high, and there were therefore advantages to including it in the contract with the builder-developer. Were you aware of that?

Mr. Witbeck: I wasn't aware of the April 10 report when it was issued, but I was aware that people were saying this. And it has truth in it. It is not wrong. I think it didn't have all the truth in it that people said.

Mr. Shibley: How do you reconcile?

Mr. Witbeck: It had some of it.

Mr. Shibley: It didn't have all the truth in it that people said.?

Mr. Witbeck: It is a question of degree.

Mr. Shibley: Yes.

Mr. Witbeck: ~~How much higher than industry costs were~~
H-515-1 follows

June 18, 1973
5.15 to 5.20
M.T.

H-515-1

(Mr. Shibley)

~~It didn't have all the truth in it that~~

~~Mr. Witbeck: It's a question of degree.~~

~~Mr. Shibley: Yes.~~

Mr. ^WWitbeck: How much higher than industry costs were Hydro's costs? This is the question.

Mr. Shibley: Are you suggesting that there was an exaggeration of the importance of mitigating against maintenance costs experienced by Hydro at the time that ^MMink and Candy made their ~~an~~ submission to the Commission?

Mr. Witbeck: Please ~~ask~~ ask that again.

Mr. Shibley: Are you suggesting that there was an exaggeration of the importance of maintenance costs in the submission by Mink and Candy to the Commission?

Mr. Witbeck: No, I am not that familiar with the submission to the Commission, I would have to examine it. I would say the answer is probably yes, but I haven't examined that submission.

Mr. Shibley: I see. Have you never seen the submission of April 10?

Mr. Witbeck: Yes, I have seen it, yes.

Mr. Shibley: And you have examined it, have you not?

Mr. Witbeck: But I don't know what figure they put in there for maintenance.

Mr. Shibley: Well, have you seen the figures ~~put~~ put in by the four developers for ~~an~~ maintenance?

Mr. Witbeck: I think I have.

Mr. Shibley: Yes.

Mr. Witbeck: Can you produce them?

Mr. Shibley: And in ~~just~~ just dealing with Canada Square, they put ~~at~~ ⁱⁿ \$1.45 per square foot.

Mr. Witbeck: Yes.

Mr. Shibley: Do you consider that a reasonable rate or an exorbitant rate or a low rate?

June 18, 1973
5.15 to 5.20
M.T.

H-515-2

Mr. Witbeck: That's \$1.45 for 1975[?]

Mr. Shibley: Yes.

Mr. Witbeck: In my opinion it could be, well, I don't know, it might be a little high, but not much.

Mr. Shibley: Would there be a profit factor built into that rate?

Mr. Witbeck: You are asking me questions that I am not well able to answer here.

Mr. Shibley: Have you never investigated the possibility of contracting out the maintenance of Hydro premises?

Mr. Witbeck: We contract ^{out} some work now.

Mr. Shibley: Yes.

Mr. Witbeck: We haven't seriously investigated the contracting out of those things which we do now in our building, most of them, other than what we do now.

Mr. Shibley: Did you ever investigate contracting out maintenance for your new head office building?

Mr. Witbeck: I did not.

Mr. Shibley: Did anyone?

Mr. Witbeck: Not to my knowledge, I don't know.

Mr. Shibley: In any event, Mr. Witbeck, getting back to the \$1.45 per square foot for maintenance and projecting ahead to 1975, can you assist the committee as to whether the cost to Hydro as of that time would be equal to, more than, or less than \$1.45 per square foot for this building, if you were doing it yourself?

Mr. Witbeck: That's pretty hard to say because we can't compare it with our own costs. Our own costs now are a little high, but the thing is, our own costs are in old buildings, our own maintenance costs now include manual costs of elevators, high repair costs of many things.

Mr. Shibley: Yes.

Mr. Witbeck: If we did the maintenance in a new building,

June 18, 1973
5.15 to 5.20
M.T.

H-515-3

Mr. Witbeck)

ome of our own costs would reduce.

Mr. Shibley: Yes, this is going to be a highly efficient building, I gather.

Mr. Witbeck: Yes, but

Mr. Shibley: and one of high quality we are told.

Mr. Witbeck: Right.

Mr. Shibley: And I gather that ~~this~~ ^{this} ~~max~~ should mitigate against the cost of maintaining it.

Mr. Witbeck: That's right.

Mr. Shibley: Would you anticipate, therefore, that ~~the~~ the cost to Hydro of maintaining its own building rather than contracting it out would certainly be no more than \$1.45 ~~per year~~ ^{per year}?

Mr. Witbeck: You said certainly, I didn't.

Mr. Shibley: Well, what do you say?

Mr. Witbeck: Here, it's a hard question to ^{make} ~~an~~ because we haven't really studied it. Our maintenance costs this year will be \$1.53, I think it is. But ~~this~~ ^{this} is 1973 ~~estimated~~.

Mr. Shibley: Yes.

Mr. Witbeck: and we don't have the benefit of some of the reduced costs that will go into the new building. So it's a thing ~~about~~ on which I don't feel I can give you a precise answer.

Mr. Shibley: Mr. Witbeck, is it fair to say that if anybody was responsible for making a study of it, it would be yourself?

Mr. Witbeck: Yes.

Mr. Shibley: And Mr. Carroll?

Mr. Witbeck: Yes.

Mr. Shibley: And Mr. ~~Carroll~~ ^{Manson}?

Mr. Witbeck: Manson, right.

Mr. Shibley: Mr. Manson, is that right?

Mr. Witbeck: Yes.

Mr. Shibley: And you are telling me that none of you made such a study?

June 18, 1973

5.15 to 5.20

M.T.

H-515-4

Mr. Witbeck: No, ~~was~~ in just the way you ask it, no, we didn't

Mr. Shibley: Well then can we take from that that one of
the reasons for entering into a lease-purchase was not the maintenance

Tape H-516 follows

June 18/73

5:20-5:25 pm

C.B.

(Mr. Shibley)

~~One of the reasons for entering into a Lease-purchase~~
~~was not the maintenance factor which was built into~~
~~the arrangement, that was not a prominent consideration?~~

Mr. Witbeck: I think it was a prominent consideration,
yes.

Mr. Shibley: Then how do you reconcile it
being a prominent consideration without anyone having
made a study of it?

Mr. Witbeck: Well, the books of account were
read, and figures were drawn out of that.

Mr. Shibley: Figures as for the old buildings
you were talking about earlier.

Mr. Witbeck: Yes, and measured in the way
they have been put into the books of account, our account,
~~we~~ have not changed our accounts.

Mr. Shibley: What do you mean by that?

Mr. Witbeck: Well, we are now accounting from
the beginning of this year. We are now accounting for
all our building work, in ways that can be related to
the industry. We are trying to relate ourselves to
BOMA standards, the Building Owners ^{and Managers} Association.
~~we~~ heretofore the accounts were not kept in that way.
The accounts were not kept in ways that segregated
building maintenance cleaning as a contractor would
do it, from internal building services to our tenants.
~~These~~ These are the things that are mixed up in past
accounts. It's our commercially equivalent maintenance
and cleaning costs and the services which my department
renders to tenants — if we were in a commercial
situation it would be on a cost basis.

Mr. Shibley: Mr. Witbeck, you've studied
the plans for the new building under construction,
haven't you?

June 18/73

5:20-5:25 pm
C.B.

Mr. Whitbeck: Yes I've seen them and looked at them.

Mr. Shibley: ~~Mr. Whitbeck~~ You've provided a certain amount of input as to the planning of that building, haven't you? Is that correct?

Mr. Witbeck: ~~Yes~~ Some.

Mr. Shibley: ~~You've~~ ^{You've} made suggestions.

Mr. Witbeck: ~~Yes~~ Yes.

Mr. Shibley: Is that right? ~~You've~~ ^{You've} sought to eliminate many of the problems of maintenance that you've experienced in other buildings?

Mr. Witbeck: ~~They~~ ^{They} sought to eliminate them, yes.

Mr. Shibley: Yes. ~~What I want~~ - I know it is really an opinion made without some study, as you've indicated, but would you expect to be able to maintain that building in 1975 at a cost of \$1.45 or less?

Mr. Witbeck: Opinion.

Mr. Shibley: Yes, I gather you are an expert in this field.

Mr. Witbeck: No you mustn't gather that.

Mr. Shibley: This is your whole existence, isn't it?

Mr. Witbeck: My whole existence began at the end of 1969 and since that time we've been wrestling with many problems, and this problem of maintenance and cleaning costs is one that we're identifying them and measuring them correctly, ~~is one that we've only now~~

June 18/73

5:20-5:25 pm

C.B.

(Mr. Witbeck)

have fully come to grips with at a very recent date. So I'm not, don't

Mr. Shibley: All right, Give me your opinion in any event. In your opinion, could you maintain that building at \$1.45 or less?

Mr. Witbeck: You ask me for my opinion. If you get it, you will take it as my authoritative opinion; and I'm not quite prepared to give that. I have reluctance to. It's like knowing which horse is coming in first, you know.

Mr. Deans: Has no one else ^{ever} ~~any~~ asked you that in the past?

Mr. Witbeck: Asked me ^{which} ~~what~~?

Mr. Deans: Whether or not it is possible to ^{have} ~~employ~~ maintenance ^{done} for ~~\$1.25~~ ^{\$1.45?} ~~\$1.25~~

Mr. Witbeck: Not directly.

Mr. Deans: Not directly?

Mr. Witbeck: No.

Mr. Deans: Did they ask you indirectly?

Mr. Witbeck: Never against a quoted figure like \$1.45.

Mr. Deans: Well, what have you been asked?

Mr. Witbeck: On maintenance?

Mr. Deans: Yes.

Mr. Witbeck: ~~Relative~~ ^{Relative} to the new building not very much of what the costs would be.

Mr. Shibley: Mr. Deans, if I may interrupt, I'd like to present the witness with a memorandum dated November 3, 1971 from himself to Mr. Sissons.

June 18/73

5:20 - 5:25 pm
C.B.

(Mr. Shibley)

It's on the same topic or I wouldn't have interrupted.

Mr. Deans: No, ~~no~~ I'm sorry I interrupted
you.

Mr. Shibley: That's all right.

Mr. Deans: It amazes me at times.

Mr. Chairman: I didn't number that last
exhibit; ~~that~~ ^{it} was 164, and this next one will be 165.

Mr. Shibley: Thank you. Do you recognize
that memorandum as ^{having been} ~~being~~ compiled by yourself?...

x~~516~~ H 517 to follow

June 18, 1973
5.25 - 5.30 p.m.
M.R.

(Mr. Chairman)

~~Mr. Shibley: Do you recognize that memorandum as having been submitted by page 1?~~

Mr. Witbeck: Yes.

Mr. Shibley: Mr. Witbeck, the whole subject matter of this memorandum has to do with maintenance cost, contracts for office cleaning and so on, does it not?

Mr. ^WWitbeck: Yes, I just want to get this in a time perspective now. All right. Yes.

Mr. Shibley: I would suggest to members of the committee that notwithstanding the enumeration of exhibits, you put them in chronological sequence in your book.

~~Mr. Gaunt:~~ ^{Gaunt:} That ~~will~~ ^{will} confuse us, Mr. Shibley.

Mr. Shibley: But I'll always give you the date. ~~and~~ Is that your memorandum?

Mr. Witbeck: Yes, it is. That is, Item 1, (a) (b) and (c).

Mr. Shibley: ~~You~~ ^{by saying} start off ~~by saying~~ Mr. Dean's October 21 letter to you on this subject deals with building maintenance costs among other things.

Mr. ^bWitbeck: Yes.

Mr. Shibley: It points out the importance of this item in making cost comparison. "Yesterday we met with Mr. Dean for a general discussion of this item and my conclusions can be indicated thus:

"1. Our own high maintenance costs are due to three factors, High labour rates, office cleaning services is more complete and of a higher standard ~~some~~ of what appears in the accounts as cleaning is actually several forms of customer service." And then

"2. Contracts for office cleaning service must be good very precisely worded for ~~and~~ contract administration.

June 18, 1973
5.25 - 5.30 p.m.
M.R.~~(Mr. Shibley)~~

For instance, Fairview include cleaning at 77 ~~112~~ yet
on close examination we find we cannot expect to get these
services^{...} and you list a number.

Mr. Witbeck: Right.

Mr. Shibley: And then the second paragraph on
the next page:- "We are now tailoring our cost measuring
system to measure our own services by categories, in such
a way that comparisons can be made in the future...If a
decision is made, for economic reasons, to have contract
maintenance in the new head office it is important ^{that the} decisions
be made early in order that we could have time to resolve
the resulting surplus staff situation.

"The time period would be three to four years and
we would have the problem largely solved in advance by
hiring only temporary employees ^d during that period".

Now, Mr. Witbeck, you were asked to make a study
of this very problem, were you not?

Mr. Witbeck: I wasn't asked to make a study.

Mr. Shibley: I see.

Mr. Witbeck: This is my response to a discussion.

Mr. Shibley: Well, were you not aware during 1971
and 1972 that the question of maintenance as a cost element
in the lease-purchase agreement was an important consideration?

Mr. Witbeck: I knew it was a consideration, and I
didn't know how important it was. But my attitude may be -
this may be partly explained by the fact that I think Ontario
Hydro can get building maintenance rendered to itself
under a system of good contract administration probably at
less cost than we render the service to ourselves.

Mr. Shibley: Well, then, I'll show you Exhibit —

Mr. Bullbrook: Excuse me, does that mean contracting
out?

Mr. Witbeck: Yes. Yes, it does. We contract out
some now but if you don't contract out properly you don't get the
benefit of it.

H-517 - 3

June 18, 1973
5.25 - 5.30 p.m.
M.R.

Mr. Bullbrook: Mr. Shibley, before we leave this exhibit, would you mind just a couple of questions?

Mr. Shibley: Not ~~at all~~ ^{if I can} concerning me.

Mr. Bullbrook: First of all, the collective bargaining aspect of things. Am I correct in assuming that Item 1(a) - "our high labour rate" - does that refer to the fact aren't those employees involved under your responsibility part of the collective bargaining unit?

Mr. Witbeck: Yes.

Mr. Bullbrook: Do you have any idea whether ~~if~~ if these questions are unfair you just let me know right away, okay? If you don't have any knowledge of them. The witness before has said that it's likely ~~that~~ they will be assimilated into the Ontario Hydro Employee scheme of things when Canada Square takes over. Have you begun that yet?

Mr. Witbeck: Yes.

Mr. Bullbrook: Right. So the

Mr. Witbeck: We have ~~agreed~~ it planned.

Mr. Bullbrook: You have it planned?

The high labour rates that

H-518 to follow

H-518-1

Mr. Witbeck: Yes.

Mr. Bullbrook: And so the high labour rate

Mr. Bullbrook: It was planned.

Mr. Bullbrook: You have it planned. The high labour rate that you are responsible for under the collective bargaining agreement now will not reflect itself directly to Hydro's benefit since those employees will be assimilated somewhere else. Is that correct?

Mr. Witbeck: Let me answer.. See if I answer your question this way. If we go into this new building, Canada Square will be responsible for the maintenance, the office cleaning and the building maintenance.

Mr. Bullbrook: Right.

Mr. Witbeck: So the ~~employees~~ Ontario Hydro staff that now does the building cleaning and the building maintenance for our whole head office staff, ~~about 12,700~~ ^{106,700} employees, ^{or} your whole head office staff now, ~~60~~ 60 per cent of it is in rented buildings. So relative to that segment of our head office staff, 60 per cent of the building maintenance and cleaning is already contracted out to other building owners. Of the balance of 40 per cent, half, about 20 per cent, we will continue to do in our Murray Street and Orde Street buildings.

Mr. Bullbrook: About half the 40 per cent?

Mr. Witbeck: Yes.

Mr. Bullbrook: Are they presently utilized in the Murray and Orde Streets buildings?

Mr. Witbeck: Yes.

Mr. Bullbrook: They are?

Mr. Witbeck: Yes.

Mr. Bullbrook: So about 20 per cent of your maintenance staff is presently utilized in the main office building now?

Mr. Witbeck: Approximately so.

Mr. Bullbrook: Approximately 20 per cent?

Mr. Witbeck: Yes. So when we are talking about contracting out work in future to Canada Square, that we now do ourselves, we are talking about that amount of my staff that relates to 20 per

H-518-2

(Mr. Witbeck)

cent of the whole head office staff.

Mr. Bullbrook: Yes. Thank you. Are you assuring us that there will be no erosion of the bargaining unit then? Do you understand what I mean by that?

Mr. Witbeck: Erosion?

Mr. Bullbrook: Well, all right. No... Yes, erosion is the word I want.

Mr. Deans: Reduction.

Mr. Witbeck: Reduction? I think what you are doing, Mr. Bullbrook, is asking indirectly, are people going to be laid off?

Mr. Bullbrook: Yes, I should have put it that way: Are people going to be laid off?

Mr. Witbeck: The answer is very little, if any. I don't like to make precise promises, but we have discussed this at some length. We have done a lot of planning on it. And I can say this: If you, Mr. Bullbrook, want to phone me and I invite you to do so three years from now, and ask me what happened to that staff, I believe I will be able to answer you with answers that are ~~satisfactory in terms of the values that motivate you in asking the question.~~ satisfactory in terms of the values that motivate you in asking the question. I invite you to phone me three years from now. I think you will get an answer that is satisfactory to you.

Mr. Bullbrook: No. I'll probably be practising law in Sarnia. I hope Mr. Shibley is not angry with me. I just want to carry on for a minute. It is of vital concern to me.

Mr. Chairman: You feel it is relevant, do you, Mr. Bullbrook?

Mr. Bullbrook: I think it is, Mr. Chairman. I just want to say to you. There are two methods of looking at erosion of the bargaining unit. One is the question of laying off people which is the first thing.

Mr. Witbeck: Right.

Mr. Bullbrook: The second one is the question of natural attrition; And that is the way normally that collective bargaining units are eroded.

Mr. Witbeck: Right.

H-518-3

(Mr. Bullbrook: ⁱⁿ your responsibilities you, I take it, assume that ^{do} I assume correctly, that there will be some natural attrition as far as the bargaining unit is concerned?

Mr. Witbeck: Yes, there probably will be.

Mr. Bullbrook: The relevancy, Mr. Chairman, and I know you are bearing with me; I think ^{it} is germane to our consideration, to look at the welfare of the employees in our consideration ^{of} of this whole question. Maybe others don't agree with me. I'll go on to another question then just for a moment.

Mr. Deans: Same topic?

Mr. Bullbrook: NO, not the same topic.

Mr. Deans: May I ask a question ^{on} ~~the~~ the same topic? In regard to the changeover from hiring your own maintenance staff, whether it be 20 per cent or not, to the contracting out as will take place in the Canada Square operation, has there been any discussion do you know, between Hydro management ^{AND THE UNION} ~~as indeed you are~~ involved? ~~and~~

Mr. Witbeck: Not with myself.

Mr. Deans: Would you have been a part of any discussions, ^{were such} ~~when~~ ^{to} discussions take place?

Mr. Witbeck: Probably I would ~~be~~ part of formal discussion yes. There ~~would~~ have been some informal discussions. There could have been. I am not aware.

Mr. Deans: Are you familiar with the collective bargaining agreement?

Mr. Witbeck: ~~Much less so than I used to be. But yes, I am familiar with it.~~

Mr. Deans: ~~I should have brought it with me.~~

H-519-1 follows

June 18/73
5.35 to 5.40 pm
DT

(Mr. Witbeck)

aware.

Mr. Deans: Are you familiar with the collective bargaining agreement?

Mr. Witbeck: Much less ⁵⁰ ~~than~~ than I used to be but, yes, I am familiar with it.

Mr. Deans: I should have brought it with me because there is a clause in ^{your} ~~the~~ collective bargaining agreement that says ~~where~~ there is in fact any change.

Mr. Witbeck: Yes.

Mr. Deans: That there should be discussions take place, and it states a period of time ~~and~~ I can't recall the exact ~~the~~ period.

Mr. Witbeck: Six months.

Mr. Deans: Six months, thank you, prior to the decision, not prior to the actual change, but prior to the decision. ~~Wouldn't~~ Wouldn't that have required a discussion prior to this date?

Mr. Witbeck: I think you are referring to the technological change.

Mr. Deans: Yes, that is exactly what I am referring to.

Mr. Witbeck: There is some word ahead of technological change, and there is a committee agreed to jointly between the union and the management on this subject. We have discussed this with our labour relations people. We have ~~discussed~~ discussed with the union in the context of that agreement, ^{for} ~~the~~ technological change. We have discussed with them the subject of switchboard telephone operating staff. We are going to be acquiring a Gentrex system and this is going to reduce.

Mr. Deans: Have you done it in regard to maintenance staff? That's what we're talking about.

Mr. Witbeck: Yes, I guess I am not exactly familiar with what has been said within the context of that technological change committee, whether there has been anything or not, I am not sure.

June 18/73
5.35 to 5.40 pm
DT

Mr. Genest: Mr. Chairman, may I -- I am sorry, Mr. Deans, I have two points to make. First of all, my respectful submission is that on the qualification of what ^{occurred} ~~appears~~ here as a technological change, I ~~think~~ ^{as to} I ~~can~~ could give you an argument ~~because~~ whether this is or not. Secondly, my respectful submission is that we are very afield from the subject matter ~~being~~ of the inquiry. We are getting into the matter of Hydro's labour relations, and my respectful submission is that this is not germane to this inquiry.

Mr. Chairman: Under the terms of the inquiry, we are to examine and review the matter of and the circumstances surrounding the agreement for the construction of the new Head Office building. I suppose it could be conceived that this is one of the circumstances surrounding ~~this discussion~~ ~~discussion~~ ~~the construction~~.

Mr. Bullbrook: Well, I invite your consideration of number five. It says: ^{was} ~~the~~ the agreement of a nature and ~~respecting~~ of such importance that Ontario Hydro should have submitted ^{it} for consideration on a policy basis to the minister ~~for~~ reporting for Hydro". Now we have to come to a conclusion in that connection, and I think the effect upon the collective ~~bargaining~~ bargaining agreement, if there is such an effect, certainly has to be germane or relevant to our deliberations, and I don't want to pursue it unduly, and I apologize to Mr. Shibley for getting into a digression, but I think ~~of~~ ~~its~~ of ~~of~~ probative ~~total~~ value.

Mr. Deans: I would ^{have raised} ~~be~~ ~~debate~~ this whether you had or not, so don't apologize.

Mr. Bullbrook: I am apologizing to Mr. Shibley for taking so much time because he has a train of examination in mind and when we take too much of his time, it is difficult for him.

Mr. Deans: Well, I am not.

Mr. Chairman: Continue, Mr. Deans, anyway but, as I said, keep the time in mind.

Mr. Deans: ~~My~~ I am not going to take much more of this. I haven't taken much of it anyway, but the fact of the matter is

June 18/73
5.35 to 5.40 pm
DT

(Mr. Deans)

that I am curious to know whether the committee set out, I could get
~~the~~ the appropriate clause, ^{not} ~~that~~ I would have to go
 upstairs, ^{under the} ~~the~~ clause that we are both familiar with in the
 agreement, whether the provisions of that clause have been
 followed, or whether, in fact, they ~~have~~ ^(such as) ~~thereof~~ this from
 hiring maintenance people to do the work to employing a
 group outside to ^{do} ~~the~~ work.

Mr. Witbeck: This, in my opinion, does not ~~never~~ come
 under the terms of reference of that committee, namely
 technological change. In the ~~Central~~ telephone system, it does
 Ontario Hydro has an excellent reputation for security and
 continuing employment for its employees ~~and~~ I think ~~that~~ there's
 nothing going to happen in the next two, three, four, five, six,
^{will} ~~that~~ destroys that reputation.

Mr. Deans: Well, I just want to ask one other
 question. How can you come to this ^(decision or) ~~conclusion~~ ^(here) ~~that~~ is a
 saving to Ontario Hydro ~~by~~ ^{by} ~~the~~ moving from the existing system
~~in-house~~ ^(and) ~~cleaning/maintenance~~ to a system of employing outside
 services? ^(if in fact) ~~that~~ you are prepared to say ~~there~~ would
 be no reduction in staff; that the employees will not suffer
 and that we will be able ^(three) ~~as in~~ ^(four) ~~or~~ ^(five) ~~years~~ ^(to) ~~find~~ you
 a telephone call and find ^(out) ~~that~~ everybody is still there?

Mr. Witbeck: Well, everybody ~~will~~ ^(won't) be still there,
 because attrition is one of the things that counts here;
 and we are working on it. ~~***~~ We use it. Attrition isn't
 something that just happens. ~~*****~~ Attrition is something
 that you plan on and use, and use intelligently. You apply it
 so that the results are ~~good~~ good.

Mr. Allan: Well, Mr. Chairman, with very great
 respect, this could happen ~~or~~ whether this building was being
 built or whether it wasn't. ~~It seems to me that~~ ~~this is~~
~~not germane within the terms of reference~~ and I think.

(H-520 to follow)

H - 520 - 1

(Mr. Allan)

~~with great respect, this could happen whether this building~~
~~was being built or whether it wasn't, and it seems to me that~~
germaine to our terms of reference
this is not ~~in the chairman's purview~~ and I would suggest
that you make a ruling.

Mr. Chairman: Well, Mr. Deans said just one more
question and I think he has had just one more question, and I
am going ~~to answer it~~

Mr. Shibley: Mr. Chairman, I would like a ruling on
this question because, according as that ruling is made one way
or the other, there may be other evidence that I feel required
to tender. I must say I have gone on the premise to this point
that it was not germane and for that reason have not intended
going into it nearly as much in depth as the committee members
have done, but if there is a decision by this committee that
it is germane then I feel there is other material to be tabled.

Mr. Bullbrook: Mr. Chairman, before you make a ruling,
I would like to speak to it.

Mr. Chairman: Fine then, if you will proceed, Mr.
Bullbrook.

Mr. Bullbrook: I take it that counsel's advice to us
is that it is not germane. I feel it is germane. I think that
under the terms of reference, you have quoted the first
paragraph in connection with all the circumstances surrounding,
I don't rely on that really.

Mr. Shibley: Mr. Bullbrook, I want to correct you. I
haven't advised you one way or the other. I must say that I
just presumed up to this point that it was not germane, at least
certainly not sufficiently germane to get into in depth, but I
am waiting to hear the representations made and the ruling that
is made.

Mr. Bullbrook: Yes, well I wanted to rely more than
anything else on the question of policy, and part of our
responsibilities - and I will read again: "Was the agreement of

June 18, 1973
5.40-5.45 p.m.
M.F.

H - 520 - 2

(Mr. Bullbrook)

² nature and of such importance that Ontario Hydro should have submitted ^{it} for ~~consideration~~ consideration on a policy basis to the minister reporting for Hydro. ^{P¹¹}

Now I think the question of the ~~new~~ erosion of a bargaining unit certainly has to be a matter for government policy. I feel that myself. Whether that is submitted to government or not is a judgment that we must make, but I think that the whole question of the collective bargaining rights of employees is of paramount importance to us and should be considered by us in the context of the responsibility of the administration of Hydro and our responsibility.

For example, if I may say to you, the question of attrition is not a simplistic thing, and I say this most respectfully to Mr. Witbeck, because my understanding of collective bargaining units and the establishment of them under our labour relations statutes are twofold. One is that the employee in the establishment of a collective bargaining unit has certain rights. Also that the positions themselves inure to the benefit of those people, not only those people who occupy ~~them~~ ^{itself} from time to time the positions, but to the positions ~~themselves~~. and that is why I am interested in it, ~~and~~ I am interested, secondly, ~~in~~ the question of the economics of it. I think that we must take into consideration in our total judgment, in analysing the benefits accruing to Hydro with respect to this contract, whether there will be, in fact, a saving resulting to Hydro from the erosion of the bargaining unit itself, no matter whether it ~~takes~~ results from attrition or otherwise.

I would ask you, Mr. Chairman, to rule in favour of this line of questioning because I had hoped to get into it again, and I apologize again for the length of my particular endeavours at this time.

Mr. Deans: Mr. Chairman?

: n V

June 18, 1973
5:40-5:45 p.m.
M.F.

H - 520 - 3

Mr. Chairman: Mr. Deans.

Mr. Deans: Thank you. I want to deal only with the last point Mr. Bullbrook raised. It was stated ~~in~~ in the early submissions that ~~the~~ one of the major considerations in deciding to go to a lease-purchase agreement with Canada Square was the saving in ^{the} area of maintenance. It is not possible to understand how the saving can be accomplished unless you understand exactly what happens to those people who are currently involved. You can't just assume that they will be assimilated, because ^{they obviously} we can't all be, and still have a saving, ~~and~~ It is therefore necessary for us to ask the kinds of questions surrounding what happens to existing employees and what happens to the collective bargaining process that they are protected by, in order to decide whether the justification for claiming that maintenance was a major factor ^{in the} decision-making is reasonable and fair.

~~Now one of these points that was raised in the early going was the matter of maintenance and the importance that the saving in maintenance would play in our decision on this point.~~

Tape H - 521 follows

June 18, 1973
5:45-5:50 pm
V H.Mr. Deans:

One of three points that was raised ^{early on} was the matter of maintenance and the importance that the saving of maintenance would play in embarking on this ^{new arrangement this lease-purchase.} ~~arrangement~~. And ~~there~~ there was a tremendous emphasis placed on that in the early documentation. In ~~an~~ order to properly understand, we have to understand clearly how this saving ~~is~~ going to be realized, ^{and} whether those individuals who are currently involved in the maintenance of existing buildings are going to be maintained ^{in the} ~~as a~~ total operation and in what capacity, in order that we can see whether or not ~~there is in fact a~~ not there is in fact a dollar saving for Hydro by doing that, ^{by} ~~and~~ taking ~~as~~ this particular approach, and in doing that, it out of necessity requires us to ask whether the terms of the collective bargaining agreement have been lived up to, or are going to be lived up to, ^{whether} ~~whether~~ it is the intention of Hydro to maintain those individuals and to maintain ~~not only~~ ^{positions} ~~the positions~~ that those individuals hold within the collective bargaining process, ~~and~~ that is one of the key factors. If it is the intention of Hydro to eliminate ~~a~~ certain positions which are currently bargained for and recognized within the collective bargaining process that ~~Hydro must~~ ^{Hydro must} ~~through~~ ^{with} the union involved, ~~and~~ we have to make the judgement as to whether or not it is proper for Hydro to do that ~~inside~~ within the terms of the new policy with regard to lease-purchase agreements. ^{I + may} ~~It may~~ take a short period of time to pursue it but surely it is better to spend that time now ~~when we~~ ^{than} when we have the appropriate officials before us ~~and~~ to find out in three years' time ^{after this} ~~if the~~ ^{the} committee has made its recommendations, ~~and~~ that those matters ought to have been pursued more fully and weren't. There is only one ~~kick~~ at the ball in this thing and this is it, ~~and~~ ^{and} if you don't

June 18, 1973
5.45-5.50 pm
V.H.

(Mr. Deans)

look ~~up~~^{into} it now, you don't look into it. I think it is important that we look into all aspects of all matters ~~xx~~ touching upon this agreement. And one of those aspects is what happens to existing employees and the jobs that they currently hold ~~that~~^{that} are going to be replaced by a new ~~one~~.

Mr. Shibley: Mr. Chairman, ~~I~~^{perhaps} I can just contribute. I must say I am impressed with the representations made by the two members. It is a fact that emphasis will be placed on ~~some~~ savings referable to maintenance ~~the~~. This was one of the key considerations in entering upon this type of transaction, which is why I myself have got into this area with this witness. I know that the financial people in particular ~~want~~^{intend} to get into this area, and whereas certain of the evidence I thought might not be as necessary, I myself am coming to the view that ~~the~~^{the} members have made ~~their~~ their point, and I don't know that it will add too much.

I am a little bit concerned, I might tell the members, because what I had in mind when I asked for the ruling is that I am in possession of a document prepared by this witness with particulars as to personnel within Hydro who may be affected by the change. Weighing the probative value of the document before it was raised by the committee members against its prejudicial effect, I had thought it was unnecessary to tender it. Now in light of what has been said, what I would like to do is tender the face page of the document, dealing with what was ~~the~~^{the} then thinking of this witness but not incorporate. I don't even know if I can do that, the schedule of people who are listed by ~~me~~^{NAME} as part of that document. Although again there are notations referable to the mode of dealing with those people endorsed on that schedule. So I am in the committee's hands. It is my duty to bring the existence


June 18, 1973
5.45-5.50 pm
V.H.

(Mr. Shibley)

of this document to your attention now that you have raised the question of relevancy, and I will act on your instructions.

Mr. Chairman: All right. Are there any other members of the committee who wish to ^{speak} ~~discuss~~ on this. Have you anything to say, Mr. Allan?

Mr. Allan: I must say, Mr. Chairman, that I am afraid if we get ^{into} dealing in matters like this, there might be no limit as to the considerations that we will find it necessary to ^{look at.} ~~consider. And, in view of the fact that the Hydro people are present, we are dealing~~



H-522 follows

June 18, 1973
5:50 - 5:55 pm
JLP

(Mr. Allan)

And in view of the fact that the Hydro people are presently doing what amounts to this very same thing in certain of their areas, I should think that ~~the~~ labour relations is a matter that can be considered and dealt with in the usual way. And I am sure then, I would hope that those people who are concerned would be fairly used, but I still don't think that it comes within our terms of reference.

Mr. Walker: Mr. Chairman, I agree entirely with what Mr. Allan is saying. However, I feel that there is some benefit that can come from costing the actual employee additions to the \$1.45 figure. And insofar as that goes, I see nothing wrong with that at all. I am very concerned that we will branch into a number of tangential areas, and while we cannot underplay the whole question of labour relations, I feel that it's far beyond the matters within the terms of our reference, and far beyond the section quoted by Mr. Bullbrook relative to whether the policy matter ~~has~~ should have been brought forward to the minister.

I do not think that is the question of policy that was intended by the point five advanced in the terms of reference.

Mr. Chairman: Mr. Newman.

Mr. W. Newman: I'd like to ask a question first before I make a comment. What percentage attrition do they have in the staff per year of Hydro now?

Mr. Deans: Oh just for a moment, *in all fairness*.
.....Mr. Chairman, we are dealing with whether or not we are going to go into that, I would say.

That's exactly what you're going to have to rule on.

Mr. W. Newman: All right, Mr. Chairman, *I'll go onto*
~~the bull~~
my comment ~~is~~ —

Mr. Deans: That's the reason why I won't agree with you.

Mr. W. Newman: That's right, assuming that attrition is ^{at} a certain rate per year, and I don't know the percentage, then with the labour relations we know that the ~~the~~ ^{BUILDING} is going to be available by 1975, I'm sure that Hydro will always have good labour relations ~~and I'm sure that these~~ employees, there's only 20 per cent of the maintenance staff that we're talking about in ~~these~~ ^{THESE} buildings and I think by ~~that~~ ^{NATURAL} attrition ~~THIS PROBABLY CAN BE WORKED OUT AND IT SHOULD BE~~ properly dealt with, ~~as it relates to that level~~ ^{AT THE LABOUR RELATION} with Hydro, and the union.


Mr. Chairman: Any other comments?

Mr. Bullbrook: The only other comment, I certainly have great reticence about involving any employee or group of employees in the trauma of possible loss of their job, and I would look to those people representing the public here, really, because I want to say to you, Sir, that I've been involved in my community in this very trauma, ~~and~~ That's one of the reasons that I bring the matter up. When I talk about representing the public, I'm talking about the reporters, ~~and~~ those people representing the news media. I don't really think that the substance of that memoranda necessarily ~~needs~~ ^{NEEDS} be a question of public concern. I want to express that concern. It doesn't in any way restrict what I said before as to the principle.

Mr. R.G. Hodgson: You're saying principle of theory or theory of principle rather than the principle ^{of} principals.

Mr. Chairman: Gentlemen, I'm sorry to have to make a ruling because life was very pleasant up to now, other than the fact that we're getting a little dreary sometimes. And you have certainly livened it up, Mr. Bullbrook.

I questioned you when you got into the field, as you will recall, and, the thought that you are walking on the line of relevancy, you drew to my attention our own rules rather than the terms of reference from the House itself, ~~and~~ I don't want to see us get into the matter of labour relations.



(Mr. Chairman)

I think that's a matter for Hydro to look at, and certainly not for us, under our terms of reference. But I do agree with what Mr. Deans was saying, ~~and~~ ^{and} I feel the matter of the economics of the contract ~~is~~ ^{is} certainly something that we should look at. So, I am going to rule at this point that we can proceed on the matter of the economics and try and separate that from labour relations. That's the difficult ~~PATH~~ ² I was I was walking before.

~~and~~ If you are going to get into the matter of labour relations, I am going to rule it out of order. But, as far as the economics of this contract, as in regards to the labour maintenance, then I am going ~~to~~ ^{to} rule that in order. Now, if I can follow that line, I know it's going to be difficult to do. But that's the decision I'm making because I think one is relevant and I think the other is not relevant. So that is creating further decisions for me, I am sure. ~~I AM GOING TO~~ ^{I AM GOING TO} rule matters of general labour relations out of order but the matter of the economics on the maintenance staff as in order.

I think maybe that's along the line you were talking, Mr. Walker.

Mr. Bullbrook: Yes, it's almost a Solomon-like approach.

Mr. Shibley: ~~that~~ ^{EXCEPT} that ~~that~~ I feel like "the baby"

Mr. Chairman: The bells are ringing. Have you any word from upstairs as to when the vote might be?

Clerk: It will be several minutes yet.

Mr. Chairman: It will be a little while yet. Well, then, maybe we can proceed Mr. Deans. I think you had ~~asked~~ ^{YOUR LAST} asked ~~for the~~ question, ~~and~~ ~~and~~

Mr. Deans: I want to leave the matter up to Mr. Shibley.

Mr. Chairman: All right, we'll leave the matter up to Mr. ~~Shibley~~ Shibley now to see what he's going to do with the baby.

~~Mr. Shibley: Well, Mr. Chairman, following through on this question as that we had earlier here, I believe if I have your figures correctly.~~

(Tape H523 follows)

June 18/73
5:55-6:00 pm
PLG

~~(Mr. Chairman: Please)~~

~~I want to read the letter out.~~

~~Mr. Chairman: All right, he will read the letter.~~

~~up to Mr. Shirley, now, Mr. Chairman, he is going to do with the~~
~~it.~~

Mr. W. Newman: Well, Mr. Chairman, following through on this questioning we had earlier here, I believe if I recollect your figures correctly, your ~~alleged~~ cost per square foot was \$1.53, right? in 1973, on the old ~~new~~ building?

Mr. Witbeck: ^{that's} Budgeted costs on our present building.

Mr. W. Newman: What percentage increase do you have a year? ~~normal~~ percentage increase a per year? Have you done this on a yearly basis?

Mr. Witbeck: No, because this year for the first time we are measuring it in a certain way, and I can't compare with 1972 or 1971.

Mr. W. Newman: What about in ^{1970, 71?} ~~1972~~? What percentage increase did you have there?

Mr. Witbeck: I can't tell you. I am not able to tell you, because historically ⁱⁿ the accounts -- we cannot separate out except with great expense. We can't separate out the difference ~~the~~ between building maintenance from services that we render ~~internally~~ internally to the organization which are not comparable to commercial building maintenance.

Mr. W. Newman: But your figure for 1973 is \$1.53 per square foot, ^Rright?

Mr. Witbeck: ~~What was it in 1972 then?~~ Yes.

Mr. W. Newman: What was it in 1972 then?

Mr. Witbeck: I don't know.

Mr. ^RG. Hodgson: Is that only an estimate?

Mr. Witbeck: ~~That is an estimate.~~ Taking our budgeted costs for 1973 and applying them to the square feet we have, that is the cost. Insofar as the budget is an estimate, it is an estimate.

Mr. W. Newman: Well Mr. Chairman, may I ask Mr. Witbeck again then, may we have the ~~the~~ budgeted figure for 1972, maybe tomorrow

June 18/73
5:55-6:00 pm
PLG

Mr. Genest: We'll try and get that for you, Mr. Newman.

Mr. Witbeck: It will be difficult to get absolutely comparable figures.

Mr. Genest: Let's see what we come up with.

Mr. Chairman: The suggestion ~~a~~ has been that we might meet tonight. One of the committee members ~~had~~ made that suggestion.

Mr. Walker: Mr. Chairman, I think maybe we should try and move this along.

Mr. Genest: Well, Mr. Chairman, I have made a very important engagement ~~tonight~~.

Mr. Chairman: You are not available?

Mr. Genest: ~~..~~with reliance on the adjournment hour.

Mr. Chairman: ~~What then are the possibilities~~ What then are the possibilities for tomorrow?

Mr. Genest: Fine.

Mr. Chairman: Does any member of Hydro have any ~~any~~ comments through you, Mr. Genest?

Mr. Genest: No. ~~That's all I need.~~

Mr. Chairman: I think we should try to move this faster if we can.

Mr. Bullbrook: So that we have an understanding, and I am too personal a friend of Mr. Genest for him to take offence, but I think really that everyone should take reliance on the fact that we are ~~are~~ going to be pretty ~~are~~ ambivalent in our hours ~~are~~ here. I realize you have a commitment ~~and~~ I understood this entirely, but I think really from now on we might sit at night, in the ~~the~~ morning, if the urge is upon ~~a~~ us so to do, depending ~~on~~ our own counsel ~~was~~.

Mr. Chairman: I think that is right. We may have to try and have a little more flexibility.

Mr. Genest: It would be helpful if the urge was announced a little ahead of time.

Mr. Deans: I would prefer to sit the evenings rather than mornings. Again, because of the additional work load of trying to keep up with the ~~with the~~ I would rather sit evenings than

June 18/73
5:55-6:00 pm
PLG

(Mr. Deans)

mornings.

Mr. Chairman: Now the House doesn't know what is going to happen I think, itself next week, depending on the process of legislation and the Queen's visit, so that there is a good chance that we won't be meeting at all, I would think, next week.

Mr. Deans: You don't intend to call the Queen?

Mr. Chairman: Well, I would like to call the Queen. I would think that there might be some higher authorities that might

Mr. Deans: She may ^{improve} ~~be a big help to~~ the debate.

Mr. Chairman: She has got a big house to maintain.

Mr. Shibley: Mr. Chairman, I might tell the Chairman that relying ~~on the~~ upon the circumstance of three or four weeks ago, I arranged a business meeting in Phoenix for Monday next, so I would not be available for Monday but I would be back Monday night and available on a daily basis, day or night, for the balance of next week.

Mr. Allan: Mr. Chairman, I personally ~~can't~~ see no reason why we couldn't meet a couple of days next week.

Mr. Shibley: I agree with that. I would like to.

Mr. Deans: I am prepared ^{Wednesday} to sit Thursday and Friday....

Mr. Chairman: If each of the members of the committee would just jot the dates next week that they might be prepared to meet, and I will try to compile them all and put them together.

Mr. Deans: I want you to understand it won't be ~~difficult~~.

Mr. Chairman: No, I ~~was~~ don't think from this point on ^{any of us} Well, I don't think it has been that happy a meeting anywhere along the line. We are adjourned until three o'clock tomorrow afternoon.

[The Committee adjourned at six o'clock.]

Tape H 524 follows

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Page</u>	<u>Description</u>
159.	507-2	Memo - January 15, 1970 - From K. H. Candy to H. J. Sissons re External Rented Space
160.	508-1	Memo - November 14, 1972 - re Head Office Staff 1972-1975
161.	509-1	Memo - December 31, 1972 - re Space Summary, Building and Office Facilities
162.	511-1	File Memo - July 6, 1971 - From J. L. Witbeck re Re-examination of Plans for New Head Office Building
163.	512-2	Memo - July 16, 1971 - From J.J. Carroll to J. L. Witbeck re Re-examination of Plans for New Head Office Building
164.	513-1	Memo - December 6, 1972 - re Space - New Head Office Building
165.	516-4	Memo - November 3, 1971 - From J. L. Witbeck to H. J. Sissons re Building Maintenance Costs

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Tuesday, June 19, 1973.

Afternoon sitting

APPEARANCES

Committee members: J.N. Allan
J.E. Bullbrook
I. Deans
M. Gaunt
L.C. Henderson
R.G. Hodgson
W. Hodgson
J.P. MacBeth (Chairman)
W. Newman
J.A. Renwick
G.W. Walker

Clerk of the committee: Paul Moore

Committee counsel: R.E. Shibley, QC

Ontario Hydro counsel: Pierre Genest, QC
James McCallum, QC

Canada Square Counsel: Douglas Laidlaw, QC

Manager, Building
and Office Facilities,
Ontario Hydro: J.L. Witbeck

Commissioner, Ontario Hydro: D.A. Evans, MPP

Commissioner, Ontario Hydro: R.N. Seguin, OC, QC

List of exhibits introduced during this sitting appears on last page.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE - HYDRO HEADQUARTERS

H-524 - 1

June 19, 1973
3.15 - 3.20 p.m.
M.R.

Mr. Chairman: Gentlemen, I call the meeting to order.

I have polled the members of the committee and there are enough of them able to be here tonight for an eight o'clock session so I would presume that we will proceed with an eight o'clock session at that time.

At six o'clock, immediately after we adjourn this evening, I would ask the committee members to stay in camera for a few minutes. Mr. Bullbrook has a suggestion to make which I concurred with and I think it is reasonable, but I would like to meet the committee in camera at six o'clock.

Mr. Shibley?

Mr. Shibley: Mr. Chairman, it may be interesting for those present to know how late we are going tonight and I just remind you that the Legislature sat until three last night and I suppose we could extend ourselves and we might be able to accomplish a great deal in the time available to us this evening.

Mr. Bullbrook: Would it be too much to ask if ~~some~~ counsel

Mr. Shibley: Well I'm prepared to go as long as you are.

Mr. Bullbrook: You won't have the endurance we do because we have lots of experience.

Mr. Chairman: Well, we have to think about the Hydro people too but anyway we won't put a time on closing at the present time but we will try and make some progress this afternoon. Mr. Shibley.

Mr. Shibley: Mr. Witbeck, I'd like produced to you a document ...

June 19, 1973
3.15 - 3.20 p.m.
M.R.

Mr. Bullbrook: Mr. Shibley, I'm sorry - before we begin, may I ask you to clarify one thing that I'm confused about. At the end of yesterday's testimony I was of the opinion from the comments made by Mr. Witbeck, that 20 per cent of ~~the~~ those employees of Hydro presently involved in maintenance might be adversely affected by the building of this building under the lease-purchase arrangement. That's what I thought. I want to clarify whether that's correct. It's been open to interpretation that Mr. Witbeck was saying that about 60 per cent of the total Hydro working force was maintained by contracting out. That meant that 40 per cent of the Ontario Hydro working force was maintained by non-contract employees, of which 50 per cent might be adversely affected by this lease-purchase arrangement.

I want to clarify whether it's 20 per cent of the total maintenance force or 50 per cent of the total maintenance force might be affected by this contracting out. Or did you intend to get into that, I'm sorry?

Mr. Shibley: Mr. Bullbrook, I've decided to play Solomon and I'm going to split the baby, which is a document, that I intended to produce, and ~~then I'm~~ then I'm going to illicit from the ancillary material which had been part of that document information which I think will clean it all up.

Mr. Bullbrook: Thank you.

Mr. Shibley: I produce to you, Mr. Witbeck, a document dated October 24, 1972, being a memorandum from yourself to Mr. Sissons, it being the memorandum only without the attachment, which I wish to make an exhibit.

Mr. Chairman: That will be exhibit No. 166. And you are leaving off of that as I understand it, Mr. Shibley, a list of names?

Mr. Shibley: That's right.

June 19, 1973
3.15 - 3.20 p.m.
M.R.

(Mr. Shibley)

Mr. Witbeck, I note the date of this memorandum is October 24, 1972 only shortly before Hydro was about to execute the agreement with Canada Square. Is that correct?

Mr. Witbeck: Yes.

Mr. Shibley: And you start off in the first paragraph ...

"I am deeply disturbed about many provisions of the proposed lease. I saw a copy of this lease for the first time on the afternoon of October..."

Mr. Witbeck: Excuse me, sir, ...,

Mr. Genest: That is not the one we've got.

Mr. Witbeck: There are two October 24th memos.

Mr. Shibley: I'm sorry. Let me have the other one please. All right, I'm going to make that an exhibit, but we will leave that for the moment. This is 167, right.

Mr. Chairman: 166.

Mr. Shibley: That's right, thank you.

Mr. Genest: Is that the one headed "Long range ...

Mr. Shibley: Planning building cleaning - I'm sorry, yes.

Mr. Genest: That is 166, is it?

Mr. Shibley: Yes. Oh, yes, here we are. "As discussed with you today..." and they are talking about the discussion with Mr. Witbeck..."our planning for building cleaning is as follows: Cleaning and head office will be done by employees^{or} contracted staff of Canada Square; our lease with Canada Square will give us the option of taking over responsibilities for cleaning our own demised premises, under stated conditions of rent abatement. Assuming that we can successfully include provision for this in our lease agreement, then "responsibility" could be for all or only part of the premises".

Then (3) "For a period of time after we ~~move~~ have moved into the new building, we will continue to clean

June 19, 1973
3.15 - 3.20 p.m.
M.R.

(Mr. Shibley)

the Murray St. and ^{the} Computer buildings with our own staff...."

(4) "We will seek ways to commence the attrition policy immediately. One of these ways will be to lower the standard of cleaning service if necessary in order to avoid rehiring. Another way may be to hire relief help for short periods to restore an acceptable standard of cleaning if necessary. We will discuss the methods and set up the planning with Personnel".

Now it's ~~paragraph~~ paragraph four which I think the committee was particularly interested in. I gather that as of October 24, 1972 you were intending to effect an arrangement over a course of years which would either replace, let go or give other employment to people who had been maintaining the buildings in which head office staff had been accommodated. Is that correct?

Mr. Witbeck: Yes.

Mr. Shibley: Now then, appendix ^{ed} to this document was a schedule of names of the various employees ^{affected.} ~~accommodated.~~ Is that correct?

Mr. Witbeck: Right.

Mr. Shibley: And in that list, without giving names, you had day building staff. There were 19 such persons of whom only one-half to two-thirds will still be required, is your note. Is that correct?

Mr. Witbeck: Yes, that was correct then.

Mr. Shibley: Elevators operators - seven in number - none to be required.

~~Mr. Witbeck: Right.~~

~~Mr. Shibley: Night janitor.~~

June 19, 1973
3.20-3.25 p.m.
M.F.

H - 325 - 1

(~~Mr. Shibley~~)

~~had been accommodated. Is that correct?~~

Mr. Witbeck: Yes.

Mr. Shibley: Now then appendix to the stock be required is your note, is that correct?

Mr. Witbeck: Yes, that was correct then.

Mr. Shibley: Elevator operators seven in number, none ~~to be required. Is that correct?~~

Mr. Witbeck: Right.

Mr. Shibley: Night janitors, approximately 24 in number, only one-quarter of which would still be required. Is that correct?

Mr. Witbeck: Yes. The fractions apply to the non-supervisory staff. There are some supervisors in the number that you need in each case.

Mr. Shibley: How many supervisors would there be among the night janitors?

Mr. Witbeck: On the day staff there are two; elevator operators are none; night ~~janitors~~ janitors I think there are two - three is it? Three.

Mr. Shibley: Then office cleaners and other approximately 25 persons, of whom one-third would still be required?

Mr. Witbeck: Yes.

Mr. Shibley: Now electricians, five persons, two still required?

Mr. Witbeck: Yes.

Mr. Shibley: One non-working foreman; mechanics of eight people, four ~~men~~ would still be required, is that correct?

Mr. Witbeck: Yes

Mr. Shibley: And stationary engineers, none would be required?

Mr. Witbeck: Right.

Mr. Shibley: Carpenters, two of four would be required?

Mr. Witbeck: Right.

June 19, 1973
3.20-3.25 p.m.
M.F.

H - 525 - 2

Mr. Shibley: Painters, two of five would be required?

MR. Witbeck: Yes.

Mr. Shibley: Plus one non-working foreman? And then of the watchmen, you have had nine and you would still require three. Is that correct?

Mr. Witbeck: Right.

Mr. Shibley: Now ~~then~~ in that connection then, Mr. Witbeck, it would not be a total release of present maintenance staff that would be effected by the arrangement under the lease-purchase agreement with Canada Square?

Mr. Witbeck: It would not be a total which?

Mr. Shibley: ~~Yes~~ You wouldn't be wholly relieved of your need for a maintenance staff?

Mr. Witbeck: No. ^{Mr. Shibley:} The fractional numbers that I have indicated to you would be people who would be continuing on to maintain.

Mr. Witbeck: Yes.

Mr. Shibley: In the head office building, or in other buildings?

Mr. Witbeck: In the buildings we own, which is University Avenue plus those behind it.

Mr. Shibley: I see. These people would be put to work in the other buildings?

Mr. Witbeck: Some of the continuing employment will be in the building that the developer puts up because some of that staff is involved in internal building services which aren't cleaning services which the developer would not undertake.

Mr. Shibley: Yes, all right. Well now then, Mr. Witbeck, you have indicated, or it has been indicated, that certain persons were in attendance at a general manager's meeting on November 22nd, 1971.. Were you one of those persons?

Mr. Witbeck: Excuse me, sir, were you finished with that other matter?

Mr. Shibley: Yes.

Mr. Witbeck: May I make a point there? Those fractions of people that you named there, that was our thinking

June 19, 1973
3.20-3.25 p.m.
M.F.

H = 525 = 3

(Mr. Witbeck)

at that time. That was an early run at it.

In later more intensive study of the thing, those fractions have come up considerably. We will have need, continuing need for bigger amounts than is indicated or was indicated at that time.

Mr. Shibley: Larger numbers?

Mr. Witbeck: Yes.

Mr. Shibley: At these other buildings?

Mr. Witbeck: Yes. Not for the total staff in the long term but for larger numbers than was indicated there.

Mr. Shibley: All right. There was a meeting of assistant general managers on the 22nd of November, 1971. Were you in attendance at that meeting?

Mr. Witbeck: Yes.

Mr. Shibley: And in that connection did you make any contribution to the discussion which culminated in the proposal that a lease-purchase transaction be negotiated with one developer?

Mr. Witbeck: No, I didn't make that form of ^{SC} contribution.

Mr. Shibley: What contribution did you make to that meeting?

Mr. Witbeck: My participation in there was to point out initially that when this new building had been built, a million square feet, that still would not solve Ontario Hydro's long range plan, long range need for head office accommodation. I was always alarmed that people thought that when we built this new building, you know, it will last forever, like the Mowat building, but I ~~could see that wasn't so because probably by early 1980s we would be~~

Tape H - 526 follows

June 19, 1973
3.25 to 3.30
M.T.

H-526-1

(Mr. Witbeck)

~~you know, it will last forever, like the Mowat Building. But I~~
could see that wasn't so because probably by early 1980's we'd be
out of the new building. And the point I want^{ed} to make at this
meeting was the fact that if the Commission intended to build a
transformer station on the McCaul Street property, our property,
it would mean that there could be no future building ~~or~~ extension
in that ~~or~~ direction on their present site. Now I was neither for
nor against building this transformer station on our property,
but I wanted ^{people} to ~~feel they~~ know the significance of doing it in
terms of future building plans.

Mr. Shibley: Did you raise the question of the cost
of maintenance that would be part of any such transaction?

Mr. Witbeck: I don't believe I did.

Mr. Shibley: Yesterday you told us that you had not
previously made any computations of Hydro's costs of maintenance.
Have you done so since I questioned you yesterday.

Mr. Witbeck: Yes, as a result of yesterday's questioning,
I have sat down with some of my staff and we have done some homework.
Now, yesterday I stated that no study had been made of building
maintenance. What I more correctly should have said was that I
had made no study at that time, 1971, even 1972. I had made no
study; I wasn't asked to. Now, when we examined the data that's
available to us now, I am able to give some answers which I wasn't
able to give yesterday.

Mr. Shibley: Yes, which are?

Mr. Witbeck: Which are, in 1973, that's this year, our
building maintenance is running at the rate of \$2.31 per square ~~of~~ foot.
This is considering those components of cost that are equivalent to
the developers' quotations, when ~~you~~ they say \$1, \$30, \$40, \$45.
Now, when we further look at this, we say we can identify costs which
we have in our present buildings ~~which~~ which we would not have in a

June 19, 1973
3.25 to 3.30
M.T.

H-526-2

(Mr. Witbeck)

new building because we would have automatic elevators, we would have unattended boilers, we'd have -

Mr. Shibley: You mentioned the items of reduction, what do you net out at?

Mr. Witbeck: In a new building ~~and~~ at a 1973 rate I estimate that we could operate for about \$2.00 per square foot.

Mr. Shibley: Today?

Mr. Witbeck: Today. Now, that would have to be compared with the Canada Square quotation who said \$1.45. That \$1.45 applies in about 1976. So that our \$2.00 today would come up to about \$2.46 in 1976, at anticipated ~~of~~ escalation rates.

Mr. Shibley: And this is a figure eliminating all collaterals, in other words, it would be precisely the same items of maintenance that Canada Square intends to provide?

Mr. Witbeck: As nearly as we can line it up, yes.

Mr. Shibley: Would you please explain to me why as compared with four developers, Hydro's projected rate would be as much as 40 per cent higher?

Mr. Witbeck: It's largely wage rates, ~~and~~ Our wage rates are in excess of 25 per cent over the market rates for building maintenance tradesmen and ~~of~~ for building cleaners, janitors.

Mr. Shibley: I beg your pardon?

Mr. Witbeck: Our wage rates are in excess of 25 per cent over community rates ~~and~~ for similar work.

Mr. Shibley: And that's the whole explanation?

Mr. Witbeck: That's the majority of it.

Mr. Shibley: All right. Then Mr. ~~Witbeck~~, you did investigate the possibility, did you not, of having maintenance done by independent contractors?

Mr. Witbeck: I did not - building maintenance in the new building?

Mr. Shibley: Yes.

June 19, 1973
3.25 to 3.30
M.T.


H-526-3

Mr. Witbeck: No, I did not.

Mr. Shibley: I produce to you a document March 10, 1970.

Mr. Genest: March 10, 1970?

Mr. Shibley: Yes, this is building maintenance counsellors solicitation to make a proposal.



Tape H-527 follows

(Mr. Shibley)

~~solicitation to ... proposed.~~

Was that, which I asked be made the next exhibit, Mr. Chairman,

Mr. Chairman: Now, let me get this straight. I have only shown one exhibit so far today and that is Exhibit 166

Mr. Shibley: Right.

Mr. Chairman: dated October 24, 1972, long range building..... Now this is Exhibit 167 being the second exhibit today.

Mr. Shibley: Thank you. Have you ever seen this document Mr. Witbeck?

Mr. Witbeck: I don't recall ever seeing it.

Mr. Shibley: It was never referred to you for investigation?

Mr. Witbeck: I don't believe so, no.

Mr. Shibley: This is, you recognize now, an offer by a firm that completed assignments for Commerce Court, Marathon Realty, CPR, in reference to their experience in all types of buildings and setting up building operational systems for building management teams. This never was referred to you?

Mr. Witbeck: Not to my knowledge.

Mr. Shibley: And neither did you ever pursue an investigation whereby you might build your own building and contract out the maintenance of such building?

Mr. Witbeck: No, I never did.

Mr. Shibley: Now with respect to the four proposals that were submitted. Were you shown the four proposals?

Mr. Witbeck: No.

Mr. Shibley: Were you shown the proposal by any of the developers?

Mr. Witbeck: No, I have never seen any of the four proposals.

Mr. Shibley: I take it that the first document that you saw was the draft lease prepared with Canada Square. Is that correct?

June 19, 1973
3:30 - 3:35 pm
JLP

Mr. Witbeck: What I saw was the building lease portion of their many segments of that agreement. I saw the building lease only in draft form.

Mr. Shibley: So you made no ~~xxxxxx~~ contribution towards the comparative analysis of the four submissions by the four developers

Mr. Witbeck: That's correct.

Mr. Shibley: Are you familiar with Sifton ^{Properties?} ~~xxxxxx~~

Mr. Witbeck: No.

Mr. Shibley: You weren't asked to make an opinion as to whether they could properly manage a building that might be constructed by Ellis-Don?

Mr. Witbeck: No.

Mr. Shibley: All right. I'm producing to you a document dated October 24, 1972 - this is a second document of that date, Mr. Chairman, which I ask be made Exhibit 168.

Mr. Chairman: Right.

Mr. Shibley: But there are appendixes to that document dated October 23 and October 26, three pages in all - is that correct?

Mr. Witbeck: Yes.

Mr. Shibley: I would just ask that the whole of that be made one exhibit.

Now, MR. Witbeck, you start off in this document by saying "I am deeply disturbed about many provisions of the proposed lease. I saw a ~~xxx~~ copy of this lease for the first time on the afternoon of October 19." Is that correct?

Mr. Witbeck: Yes.

Mr. Shibley: The first time you were ever shown any document in connection with this lease purchase was October 19?

Mr. Witbeck: Yes.

Mr. Shibley: "I understand it is intended to go to Com0 mission for approval on the morning of October 26," that would be two days after this memorandum is written. "In the proposed ~~xxx~~ lease I find some ~~contractual~~ obligations spelled out, some not spelled out, in such ways as I feel will be to Hydro's detriment over a thirty-year period.

June 19, 1973
3:30 - 3:35 pm
JLP

(Mr. Shibley)

I feel strongly that this lease fails to reflect the knowledge and experience of those on whom Hydro will be depending for building operation and administration.

"This lease does not avoid for Hydro, those kinds of shortcomings that we are having to live with at 77 Bloor West. I recognize the desirability of early closure, so on, however I do believe it is bad policy to include in the lease today specific details that we know we will need to negotiate out in the future. In view of the need for early signing, we would be ~~xx~~ better ^{off not to} ~~be specific~~ be specific, and to rely on future negotiations rather than to be wrongly specific now.

"It is my ~~recommendation that the lease should not~~



June 19/73
3:35 - 3:40 pm.
M.S.

(Mr. Shibley)

~~negotiations rather than ^{to} be wrongly specific now. It is my~~
// recommendation that the lease should not be signed in its present form. Attached are comments on the more major shortcomings I see in this lease. Comments on less major items can be made available to you."

Now, was this delivered to Mr. Sissons on October 24?

Mr. Witbeck: Yes. It's possible it didn't get to him until the 25th, but I can't be sure of that.

Mr. Shibley: And the Commission, in fact, met on October 25, the very next day, did it not?

Mr. Witbeck: I don't know.

Mr. Shibley: Well, that's a matter of documented evidence.

Mr. Witbeck: Well, maybe it is. I can't confirm it.

Mr. Shibley: In any event, do you know whether the recommendations for change, as outlined in the appendix to this memorandum, were made part of the lease-purchase transaction, prior to its execution on November 1?

Mr. Witbeck: Yes, there was a result to this. Some of ~~the items~~, of those items which, on the October 26 appendix, new head office buildings, specific provisions and so on, the comments relative to ~~section~~ section 301, in fact, that was not a problem. I read it ~~as a problem~~ and it wasn't a problem. Because the provision for establishing dates is made elsewhere in the agreement.

Mr. Shibley: Mr. Witbeck, wasn't the major concern that you had, was that if you had to take over the janitorial services or opted in favour of taking over the janitorial services as is your right under the agreement, that the 30 cent per square foot allowance was nowhere near the cost of your assuming that responsibility?

June 19/73
3:35 - 3:40 pm.
M.S.

Mr. Witbeck: That was one of my most major concerns.

Mr. Shibley: Yes, and that was not changed, was it?

Mr. Witbeck: It was not, no.

Mr. Shibley: I have no further questions, Mr. Chairman.

Mr. Chairman: Any member of the committee? Mr. Walker?

Mr. Walker: Mr. Witbeck, yesterday you indicated that you could do the job likely for \$1.45 a foot. Is that one and the same as what you're now saying, or have I lost something in between?

Mr. Witbeck: No, I'm sorry. No, I didn't say we could do it for \$1.45. \$1.45 is Canada Square's rate.

Mr. Walker: Right, but you felt that could do it for that?

Mr. Witbeck: Well, I wasn't very specific yesterday. If I said that I perhaps was a little careless. I quoted a figure yesterday of \$1.53, which was -- today I don't stand by the \$1.53 figure. I put that up yesterday as a 1973 prevailing cost, but I don't stand by it today because it ^{was} ~~was~~ incomplete in some details. And the figures I've quoted today are the right ones. We are now working at the rate of \$2.31, where we could work by today's wage rates and so on in a new building for about \$2. Now, that \$2 which we could work to today in a new building, in 1976 would escalate to about \$2.46. And it is that \$2.46 that would compare then with Canada Square's \$1.45.

Mr. Walker: It was my understanding that you said yesterday that you could do it for a \$1.45.

Mr. Witbeck: Well, I must correct that if I said it.

Mr. Walker: In fact, I think on page 516-2, Mr. Shibley reiterated your point and said that you expect to be able

June 19/73
3:35 - 3:40 pm.
M.S.

(Mr. Walker)

to maintain that ~~the~~ building in 1975 at a cost of \$1.45 or less. Well, anyway that has now changed. Not only has it changed ~~from~~ to \$2, but this figure at 1975 means that you're now talking about a 1975 figure of \$2.31, instead of \$1.45 or less.

Mr. Witbeck: No, we're talking about a 1973 figure of \$2.31 actual. That's now, this year, in our present buildings.

Mr. Walker: Right, but your projection for 1975, is that your \$2 figure of today ---

Mr. Witbeck: Yes.

Mr. Walker: And your net \$2 figure will, by 1975, be, what, \$2.46?

Mr. Witbeck: \$2.46. It's 1976 I've projected it to, because that's ~~the~~ when Canada Square's figure of \$1.45 will become operative.

Mr. Walker: Right. But what I'm saying is, how could you be out so much between yesterday and today from \$1.45 to \$2.46?

Mr. Witbeck: Well, it's quite a jump, isn't it?
I was not ---

Mr. Walker: I hope this isn't your area of expertise!

Mr. Witbeck: ~~I was not sure~~

Tape H 529 follows

June 19, 1973

3.40 to 3.45

M.T.

H-529-1

(Mr. Walker)

yesterday and today from \$1.45 to \$2.46.

Mr. Witbeck: ~~That's quite a joke, isn't it?~~

Mr. Walker: ~~I hope this isn't your area of expertise.~~

Mr. Witbeck: I was not sure yesterday, because our accounts have not been structured to register ~~this~~ this kind of thing. We ~~are~~ are getting them in shape, but they haven't been. But I have examined ~~this~~ this in the interim, and what I tell you now, I can demonstrate.

Mr. Walker: Thank you.

Mr. Chairman: Any other members?

Mr. Bullbrook: Yes, I don't want to take too much time in the demonstration. But first of all I want to clarify in my mind, you heard at the beginning my request of counsel for clarification and ~~although he~~ ^{he} obviously attempted so to do, I couldn't understand it entirely. As I understood your evidence yesterday, I came to the conclusion that, without getting into the collective bargaining aspects of ~~this~~ ^{this}, that perhaps 20 per cent of the maintenance staff that you now employ might be adversely affected as a result of the lease-purchase arrangement. But as we look at the figures it must be more than 20 per cent. Do I understand you now that approximately 60 per cent of the total Hydro staff is serviced, from a maintenance point of view, by contracting out?

Mr. Witbeck: That's right, in rented buildings.

Mr. Bullbrook: ~~Correct and~~ ^{Correct and} so ~~there's~~ 40 per cent of the total Hydro requirement ^{s are} taken care of by employees.

Mr. Witbeck: Yes, there's a "but" to that, but you ~~are~~ ^{are} right so far.

Mr. Bullbrook: Well put ~~the~~ ^{The} "but" in so that I -

Mr. Witbeck: The "but" is that we, my staff does two things in general. We do things which are equivalent to contracted cleaning service in a rented building. We do that. We also render additional

June 19, 1973
3.40 to 3.45
M.T.

H-529-2

(Mr. Witbeck)

internal building services to our clients, ^{as} we call them, ~~the~~ the organizations within the building, which are not equivalent to what a developer or a landlord renders. So, I was saying that the cleaning, the building cleaning, the part that a landlord does, was 60 per cent of our present ^{Hydro} ~~Hydro~~ head office population. That work is now done by landlords outside, it's contracted out. And of the remaining 40 per cent, one ~~half~~ half of it only would ^{be} ~~be~~ affected by this change.

Mr. Bullbrook: Well, this is ~~is~~ where we don't have a meeting of the minds. I want to regard that segment of the Hydro employment complement that deals with maintenance service, I want to regard that as ~~a~~ a 100 per cent figure, right?

Mr. Witbeck: But you will have to define maintenance.

Mr. Bullbrook: Well, I realize that you have an additional problem that is exemplified by your comment ^s in Exhibit No. 165 that says, "For instance, our day janitor costs are about 80 per cent customer service". This is your former problem in connection with internal accounting of Hydro, right?

Mr. Witbeck: It's part of it.

Mr. Bullbrook: Yes. Now, recognizing that and differentiating between what we would call the ~~proposer's~~ proposer's obligation ^s as differentiated from yours. I just want you to follow me for a moment. I realize it is ~~is~~ difficult for me to convey to you what I mean. To service all the Hydro staff ~~requires~~ a 100 per cent complement of people; ~~the~~ 60 per cent of that complement is presently contracted out.

Mr. Witbeck: No.

Mr. Bullbrook: No? All right, well I'm not understanding that, I'm sorry.

Mr. Witbeck: When you say service 60 per cent of our ^{head} office population, I mean do the building cleaning janitorial service for 60 per cent of our head office population. The janitorial service, 60 per cent of that is contracted out.

June 19, 1973
3.40 to 3.45
M.T.

H-529-3

Mr. Bullbrook: Is it the word maintenance that -

Mr. Witbeck: Well, it depends what it ^{means} ~~means~~, eh?

Mr. Bullbrook: Is that what really I am not understanding?

Mr. Witbeck: Well, building cleaning, the janitorial service, is only a portion of maintenance.

Mr. Bullbrook: Right.

Mr. Witbeck: The other portions of maintenance are ~~these~~ involved with the buildings themselves - running the electrical system, ~~the~~ running the heating system -

Mr. Bullbrook: Well, maybe if I approach it the other way, and I do apologize to you for obviously confusing you, because I am confused -

Mr. Witbeck: I am not confused, but we will try and rectify yours.

Mr. Bullbrook: I want to find ^{out} what percentage of those employees under your jurisdiction who are employees of Hydro involved in "maintenance", ~~and help me if I should say "cleaning"~~.

Tape H-530 follows

June 19/73
3.45 to 3.50 pm
DT

(Mr. Bullbrook)

~~who are employees of Hydro involved in "maintenance" work~~
and help me if I should say "cleaning" would be adversely affected by this lease-purchase, or perhaps might be.

Mr. Witbeck: Might be, all right. The figures --
Mr. Shibley read off ^(some) ~~some~~ trades figures and fractions, that is the total staff we are talking about. That's the 100 per cent.

Mr. Bullbrook: So if we extrapolate those figures, you are going to get the percentage that I want. Is that what you are saying?

Mr. Witbeck: Well, the percentage was correct at an earlier date, but ~~when (had gone)~~ we ~~have~~ ^{we} over it some more, the figures ~~had~~ to be upgraded; ^{we} raised the amount, the percentage of the staff that we will need to retain has to be raised.

Mr. Shibley: I think also, Mr. Bullbrook, the witness hasn't caught that part of your question when you said "adversely affected". Earlier testimony was to the effect that these people would be otherwise absorbed in one way or the other, and that a very small number of them would be lost in terms of their employment with Hydro. Is that not correct, Mr. Witbeck?

Mr. Witbeck: Yes, I was going to ask ~~you~~ what "adversely affected" meant.

Mr. Shibley: You are talking about the number that would be ~~reduced~~ ^{cut}; the number of people required to continue on the maintenance staff in the sense of what saving in that number would be affected by this arrangement. That's a different thing than talking about who would be adversely affected.

(generic) ~~condemned~~ Mr. Bullbrook: Well, perhaps I shouldn't use such a term as "adversely affected." There are two things that cause me concern. I ~~am~~ came to the conclusion yesterday that 20 per cent of the people might be affected, the people who are presently employees of Hydro. I just wonder whether that wasn't meant to be 50 per cent?

Mr. Allan: I took it as ~~that~~ 50 per cent.

June 19/73
3.45 to 3.50 pm
DT

Mr. R. C. Hodgson. Do we not have an estimate of figures *what has in percentage*

Mr. Witbeck: It was ~~doing~~

Mr. Bullbrook: I am trying to follow what ~~you~~ *you* said yesterday.

Mr. Witbeck: It was intended to imply 50 per cent. However, I can tell you this, subject to people's willingness to ^{do} other kinds of work and to undergo some relocation, there will be nobody lose their job. Does that help?

Mr. Bullbrook: It certainly does. What you are saying, in effect, is that you are going to make it a posture of yours and we hope, ~~Hydro~~ *Hydro* entirely to minimize any "adverse effect".

Mr. Witbeck: Mr. Bullbrook, that is Hydro's posture. It is my posture and that's the basis on which I extended you an invitation yesterday to phone ~~doing~~

Mr. Bullbrook: I know. I know. Well, I wanted to clarify this in my mind and ~~it~~ *that* turns out ~~the~~ 50 per cent figure would be ~~right~~ *right*. Now, help me in this respect, if you can. As I understand it, most of ^{16%} ~~the~~ *benefit* ~~to~~ accrue to ~~Hydro~~ *Hydro* in its ~~total~~ package with Canada Square is a most attractive maintenance ^{cost} ~~what~~ *what* is that figure, Mr. Shibley, is it \$1.48?

Mr. Shibley: \$1.45.

Mr. Bullbrook: \$1.45 per square foot. Your evidence right now is that if you took that figure and attempted to do it under your present ~~unilateral~~ *unilateral* union and otherwise, it would be \$2.46 in 1976 at the concurrent ~~→~~

Mr. Walker: No, \$2.46

Mr. Bullbrook: \$2.46? A difference of ~~just~~ *just* \$1.01 that you relate to a great extent to your high labour ^{rates} ~~costs~~

Mr. Witbeck: Yes, I think this. There is a greater difference there than 25 per cent plus labour difference. Okay? We are improving the productivity of staff in many ways and I think that if 1976 came and we were doing this, ~~perhaps~~ *perhaps* my \$2.46 figure would probably be lower at that time. However, that's

June 19/73
3.45 to 3.50 pm
DT(Mr. Witbeck)

an assumption of what would happen between now and the next three years.

Mr. Bullbrook: Then it would be fair to say and ~~without~~, if I am incorrect, I want you to rule me out of order; it would be fair to say that the benefits that will accrue as a result of the maintenance aspect of the lease agreement with Canada Square results to some extent from the fact that Canada Square will not be obliged to pay the rates ^{had} that Hydro pays, ~~and that~~ Hydro undertaken the same obligations as Canada Square under the lease.

Mr. Witbeck: I would say yes but, of course, when the benefits come to Hydro, the benefits come to the purchasers of power and that is one of our responsibilities.

Mr. Bullbrook: I never did regard Hydro as essentially a profit-making organization. I recognize it ~~as~~ ^{is a} public utility to serve the public. Yes, go ahead, I am trying to develop something.

Mr. Walker: If Hydro's rate of pay for these individuals is 25 per cent higher, how ~~then~~ can your figure for 1975 of \$2.46 be what-- six per cent higher?

Mr. Witbeck: Well, a dollar ~~less~~

Mr. Walker: What's that?

Mr. Witbeck: It is \$1.01 on \$1.45. It is much more than 25 per cent.

Mr. Walker: How ~~less~~?

Mr. Witbeck: Well, I just explained that.

Mr. Walker: I missed it then, ~~oh?~~

Mr. Witbeck: Some of it is in productivity, ~~it is~~ in supervisory improvement ~~and productivity, which improvement in the staff itself, some of it~~

(H-531 to follow)

June 19, 1973
3:50 - 3:55 p.m.
B.G.

H-351-1 H-531-1

(Mr. Witbeck)

RG

~~as some of it is in productivity, is in supervisory improvement~~
and productivity; methods of improvement in the staff itself. Some of it.

Mr. Walker: There is quite a discrepancy.

Mr. Witbeck: All right, look, there is a discrepancy — ~~between~~, there is more than a 25 per cent discrepancy, eh?

Mr. Bullbrook: Yes.

Mr. Witbeck: The rest of the discrepancy is in working efficiency, productivity. It depends on methods and supervisors. Now, that ~~the~~ is the thing ~~and~~ that we are improving and can improve further, and that is why I say that if 1976 came and we were still doing this, the figure would probably not be 246; however, there is no way we can get over this 25 per cent plus wage differential. I know no way.

Mr. Bullbrook: Would we in the committee be fair in the comment that were you able to operate as efficiently as Canada Square in this particular obligation, that the least you could operate at in excess of the obligations of Canada Square would be 25 per cent more because of your higher wage rate?

Mr. Witbeck: Yes, it would be in excess of twenty-five.

Mr. Bullbrook: Right. ~~Now~~ Now, I want to understand, if I may, ~~the~~ Exhibit 165 that you have in front of you.

Mr. Witbeck: Well, what is that please?

Mr. Bullbrook: It's the memorandum to Mr. Sissons and yourself dated November 3, 1971.

Mr. Chairman: Have you got it in front of you, Mr. ~~Bullbrook?~~ ^{WITBECK?}

Mr. Witbeck: No, I don't have it.

Mr. Chairman: It was the ~~last~~ last exhibit yesterday.

Mr. Bullbrook: And I just want to relate to paragraph one, if I may. If we could read together: "one, our only home ~~maintenance~~ maintenance costs are due to three factors: (a) our high labour rate, and we have exhausted ^{(2) them} (b) our office cleaning services are more complete and of a higher standard than

June 19, 1973
3:50 - 3:55 p.m.
B.G.

(Mr. Bullbrook)

most commercial ~~cleaning~~ cleaning contracts."

Now, recognizing that you were there talking in generalities could you help us as to the quality of cleaning services that will be provided, in your opinion, by Canada Square as relates to the present quality of cleaning services ~~is~~ provided by yourself?

Mr. Witbeck: We intend that it be as good. But ~~that~~ from ~~Mr. Bullbrook's~~ contractual documents; I can't say positively that it will be. The cleaning contract, it's appended to the contract documents, may not in itself assure it, but I have some confidence that we can work this out with Canada Square.

Mr. Bullbrook: Well, recognizing that counsel has not gotten us into the lease ~~agreement~~ agreement yet, with which I entirely agree, your ~~of~~ evidence is that from your knowledge of the lease agreement, there is ~~not~~ contractual assurance that the quality of cleaning service by Canada Square would meet the present standards that you presently insist upon?

Mr. Witbeck: The answer is yes, but. The "but" comes in because of this.- In the open office landscape context, which we intend to go into a hundred per cent, the cleaning contract must be differently worded, the spec must be different. So, in much of our buildings now we are in standard offices where, you know, it's different. And the spec that has been written into this agreement isn't totally appropriate to the open office landscape situation. But when we work with Canada ~~Square~~ Square on that I expect it will be.

Mr. Bullbrook: Well, then -

Mr. Shibley: Mr. Bullbrook, if I may help you, the lease ~~agreement~~ agreement provides this "protection." I will put the word in quotes, that Hydro has the right to assume for its own account the janitorial service at a reduction of rent of .30¢ per square foot. That's why I asked the witness the question whether his major concern in respect of the document that confronted him on October 26, was the allowance that had been made. It is all part

H-531-3

June 19, 1973
3:50 - 3:55 p.m.
B.G.

(Mr. Shibley)

of the area of protection, if you like, to Hydro, respecting the quality of janitorial service. Isn't that so, Mr. Witbeck?

Mr. Witbeck: Yes.

~~Mr. Shibley: And your concern is that the protection~~
~~protection..~~

²
(Tape H-531~~14~~ follows)

June 19, 1973
3.55-4.00 p.m.
M.F.

H - 532 - 21

(~~Mr. Shibley~~)

~~write to Hydro respecting the quality of janitorial services
isn't that so, Mr. Witbeck?~~

~~Mr. Witbeck:~~

Mr. Shibley: And your concern is that the protection intended is the substitution of your own forces for Canada Square's but yet not ^{en}ough of an allowance has been made?

Mr. Witbeck: Yes.

Mr. Bullbrook: Thank you, Mr. Shibley. I just want to carry this a bit forward if I may. You had mentioned something, Mr. Witbeck; you had said in effect that the cleaning under the present landscape arrangement in the lease-purchase building is - if I can use the phrase - less expensive than the present cleaners' obligation that you undertake. Is that what you meant?

Mr. Witbeck: No, that is not what I meant. I said the specifications must be different for cleaning under standard office mode than it is under an open/landscape mode.

Mr. Bullbrook: Would it be any less expensive generally under the landscaping mode?

Mr. Witbeck: No, I don't think there is much difference in cost one way or another.

Mr. Bullbrook: Well then if I could just pursue (c) for a moment which reads:-

"Some of what appears in the accounts as cleaning is actually several forms of customer service. For instance, our day janitor costs are ~~about~~ about 80 per cent customer service."

Now recognizing this as an internal accounting procedure that you want to rectify to properly relate to what is your actual unit cost, in giving us the figures projected to 1976 of \$2.46, do I take it that you are projecting that figure under the type of accounting procedure that you ^{would} wish to have?

Mr. Witbeck: Well I am projecting it under what I

June 19, 1973
3.55-4.00 p.m.
M.F.

H - 532 - 2

(Mr. Witbeck)

think the costs will be, direct labour costs, plus material costs, plus supervision and overhead costs.

Mr. ~~Shibley~~ Bullbrook: Well, then you say here, for instance, our day janitor costs are about 80 per cent customer service." In your \$246 figure do you still include the 80 per cent ^{where it is} responsibility for customer service?

Mr. Witbeck: No, it is not included in the \$2.46.

Mr. Bullbrook: The \$2.46 really relates to the same obligation that Canada Square would undertake?

Mr. Witbeck: Yes.

Mr. ~~Shibley~~ ^{Walker}: That means then that there would be a saving in one 12-month period, if it is a million square feet, and I understand it is a plus or minus depending on the ~~size~~ ^{area} ~~of~~ ^{ble} of a million dollars.

Mr. Witbeck: It would be plus I think.

Mr. ~~Shibley~~ ^{Walker}: If Hydro contracts out at \$1.45 a foot, it is a million dollar a year saving, is that correct?

Mr. Witbeck: That is an indicated million dollar a year saving.

Mr. ~~Shibley~~ Bullbrook: And that saving relates to two things, as I understand your evidence. It relates to an ability to charge a lesser labour rate and secondly the talent and facility and supervisory ~~asumen~~ ^{asumen} that Canada Square has that Hydro does not have? That is what I understand the ~~evidence~~ evidence to mean.

Mr. Witbeck: Yes, I don't think it ^{is peculiar} ~~is peculiar~~ to Canada Square, ~~but~~ ~~that~~

Mr. Shibley: ~~Well~~ That was going to be my question, Mr. Witbeck. There were three other developers who all proposed rates which Mr. Candy reported on February 1, 1972, to be Ellis-Don, \$1.23; Y and R properties, \$1.35; Horizon - ~~I am sorry,~~ \$1.40, so that relative to all four developers who quoted for the cost maintenance, Hydro's costs seem inordinately high.

H - 532 - 3

Mr. Witbeck: They are.

Mr. Shibley: Yes.

Mr. Walker: Well, could I inquire what would be the additional cost to Hydro in the year 1975 for the employees, or rather the persons who are involved in the non-attributionable attrition?

Mr. Bullbrook: I think that last word "attrition" you shouldn't have thrown in.

Mr. Walker: No, basically what you are saying is that you are going to absorb them?

Mr. Witbeck: Right.

Mr. Walker: Fine, well at some point it is going to reach a level of zero and things will balance, but for the period prior to that zero balance period what is the additional cost in the year 1975, which is the first comparable year we have?

Mr. Witbeck: Well, we are really talking about 1976 figures. You suggested there would be a million dollar saving by this difference in cost. I would have to say that our retention of staff, continuing the employment of staff that we will not need directly must come out of that million, so we don't actually get the million saving for some time.

Mr. Walker: When do you reach the levelling off point if I can call it that?

Mr. Witbeck: I would have to project that. I would have to make estimates ~~about how fast we can get this staff up to required level.~~

Tape H - 533 follows

June 19, 1973
4.00-4.05 p.m.
B.A.

11-533-1

(Mr. Witbeck)

~~I would have to project that, I would have to make estimates~~

about how fast we would have to get this staff on to required work. And I have not done that.

Mr. Walker: Then how much is this \$1 million offset.

Mr. Bullbrook: It isn't.....

Mr. Witbeck: I can't say. It would be offset substantially at first.

Mr. Bullbrook: Does anybody else know? Do you know if anybody else knows? Do you know if anybody has made a study of this?

Mr. Witbeck: No, nobody else in Hydro, I am sure, has made a ~~an~~ study of this. It is not hard to do, though. I could do it and report to you, if you insisted.

Mr. Allan: Well, this is comparatively easy to do, isn't it, due to the fact that you are going to ~~be~~ keep on 20 per cent of your staff in your ^{other} building.

Mr. Bullbrook: They are going to try and keep all their staff on in their ~~other building~~, ~~regarding~~ attrition.

Mr. Allan: The attrition in the ~~other~~ ^{the} other buildings will help you ^{to} relieve the surplus of this ~~million~~.

Mr. Witbeck: Yes. We make attrition work for us. We re-arrange the staff....

Mr. Allan: Well, the fact that you are keeping some staff is a great help to you in solving this ~~little~~ matter.

Mr. Witbeck: Right, and the attrition and the staff we keep helps the other staff.

Mr. Bullbrook: Mr. Chairman, could ~~g~~ we ask Hydro to provide for us, now, an analysis, if they haven't done already, of what, recognizing attrition as it comes, and we know there won't be any compelled attrition, could they do an evaluation for us of what the cost, the offset figure that Mr. Walker talks

June 14, 1973
4.00-4.05 p.m.
B.A.

(Mr. Bullbrook)

about against the million dollar saving would be.

Mr. Walker: And when zero attrition is reached.

Mr. Bullbrook: Having regard to the present employees.

Mr. Chairman: Does that sound like a reasonable request.

Mr. Genest: If that is the desire of the committee we could have a crack at it and produce, or try and produce a paper for the committee, perhaps dealing with this whole topic. I just want the committee to bear in mind, of course, that the figure \$1.45 is not in the lease. That was a broken out figure of what the estimate of maintenance cost but what we get, the maintenance we get is included in our global rental figure. But I think we can produce something that will be useful if that is the desire of the committee along these lines answering, *on trying to answer* finance ~~of~~ these questions.

Mr. Chairman: Thank you. We would like to have it in a minimum of time.

Mr. Genest: If it came out around the time you were ~~going~~ going to be calling the financial people from Hydro, would that be better? It may take a day or two to prepare.

Mr. Bullbrook: Very good. ~~XXXXXXXXXXXXXXXXXXXX~~

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

Mr. Walker: I wonder if I could pursue one question. What is your opinion now that you have broken out your figures ~~the~~ *at*

\$2.46 in the year 1975 or ¹⁹⁷⁶ ~~6~~ compared to the broken-out figure of Canada Square of \$1.45? ~~z~~ what is your opinion with respect to - is it Ellis-Don - of \$1.23? And what are the other two figures?

Mr. Shibley: Y & R was \$1.35 and Horizon was \$1.40.

Mr. Walker: Would you care to offer ~~your~~ your opinion on those three figures?

Mr. Witbeck: I ~~z~~ have some ~~more~~ more opinion than I had yesterday. Certainly that - what was the low figure?

June 19, 1973
4.00-4.05 pm
V.H.

(Mr. Witbeck)

~~XXXX~~ \$1.25?

Mr. Shibley: Twenty-three. \$1.23.

Mr. Witbeck: It sounds very low to me for 1976.

I don't see how they can do it. I really don't. In fact I think at \$1.45 which I believe was the highest figure, I think it will be absolute touch and go whether they can do that. But it is to be noted, as Mr. Genest said, it is not a rigid figure. What their maintenance ^{ance} ~~costs~~ costs are, they are. So it means the maintenance costs may not be those figures.

Mr. Chairman: Thank you Mr. Witbeck. Now are there any other ~~question~~ questions?

Mr. Gaunt: Mr. Chairman, I just want to be clear on exhibit 168. You raised substantial objection in that exhibit, Mr. Witbeck, it was addressed to Mr. Sissons, ~~he~~ Did you get any response to that to indicate whether or not Mr. Sissons had proceeded and had taken this into effect?

Mr. Witbeck: One six eight - is that the October 24 one that says new head office building?

Mr. Gaunt: Yes. Yes.

Mr. Witbeck: Yes, I got -- attached to that exhibit is a list of some items. Do you want me to detail what happened to those items?

~~Mr. Gaunt: Yes, I want to know what happened to those items.~~
~~Mr. Witbeck: Yes, I will detail what happened to those items.~~

H534 follows

June 19/73
4:05 - 4:10 pm.
M.S.

(Mr. Witbeck)

~~items. Do you want me to detail what happened to these items?~~

Mr. Gaunt: Well, briefly if you could.

Mr. Witbeck: Have you got the section ^{3.01} ~~2.01~~, do you see that item? At the top ---

Mr. Gaunt: Yes.

Mr. Witbeck: That item, in fact, wasn't a problem. It only appeared to be a problem and this ^{was} because I hadn't seen the complete contractual agreement. This section 6.01 was not clarified. This is a question of who --- it's clear in the documents that Hydro will pay for the replacement lighting tubes. It is not clear who will put up the labour to replace them, or clean the lighting fixtures. These are items of significant cost and I thought ~~that~~ they ought to be clarified, but they weren't. The question of base year was unsatisfactory to me. It was first specified as the first 12 months of occupancy and that's too soon a period for the developer, the owner, to know what his costs are. And I wanted a later period for the base year; and it was moved six months later, in response to ~~the~~ this request of mine that Mr. ^F Sissons put up.

Now, the janitorial ^{takeover} ~~takeover~~ clause has been dealt with. Because of the 30 cent figure, it does not accomplish for Hydro what I wanted to accomplish. On those last three items, ~~under~~ ^{under} general, item 1 isn't too much of a problem, anyway. I thought it ought to be specified, but I don't think it will be a problem. Item 2 under general, here's another case -- I said there must be a clear understanding of how square feet are measured. Indeed, there is a clear understanding, but it was in other parts of the agreement that I didn't know about when I wrote this. So that was taken care of.

This one on security, ~~that~~ should have been specified a little more closely I felt, and no changes were made in that.

So, there were results.

June 19/73
4:05 - 4:10 pm.
M.S.

Mr. Genest: If I can assist, Mr. Gaunt. I think when Mr. McCallum gives evidence, the evidence will be that all of these items raised by Mr. Witbeck were dealt with in the negotiations with Canada Square. The memo didn't die there. Some of the items, for instance, the 30 cent item on janitorial services ~~at~~ that Canada Square wouldn't go ~~farther~~ farther, was recognized as a trade-off item. We didn't get all we wanted there. But I think the evidence of Mr. McCallum will show that all these matters were raised and bargained over.

Mr. Gaunt: Thank you, Mr. Genest. Basically then, Mr. Witbeck, the main concern ~~with~~ ^{was} you ^{at} that time, and still ^{have} ~~concern~~, I presume, is that you really don't have any workable ^{takeover} ~~clause~~ clause in the agreement?

Mr. Witbeck: That's true, yes. In my opinion.

Mr. Genest: We have a workable one, but we don't have one that — its going to be expensive to exercise. In other words, we're entitled to takeover, but 30 cents plus escalation, we get 30 cents plus escalations. If we take it over in 1980, for instance, we take over at 30 cents plus the escalation that has occurred since the base year. It's going to be expensive. We won't be able to do it for the figure we're getting a credit for. Is that helpful?

Mr. Gaunt: Yes, that's helpful. In effect then, what the agreement has effected, as far as Ontario Hydro is concerned, is that you really don't have the type of protection that you would like to have.

Mr. Witbeck: That I would like to have seen, that's correct. But anyway, this was probably traded-off for something else good, I don't know.

Mr. Gaunt: So, that in the final analysis, if you happen to be dissatisfied with the maintenance programme of Canada Square under the terms of the lease, it's going to be very costly for you to then move in and undertake that function?

June 19/73
4:05 - 4:10 pm.
M.S.

Mr. Witbeck: Yes, but remember I'm not looking forward to dissatisfaction. I think Canada Square will do what needs to be done. I have a degree of confidence there. Remember, there were two reasons for why I wanted this takeover clause. One was so that if we were having difficulty with a cleaning contractor whom Canada Square hired, we would be able to take over that and deal directly with the contractor. And this is more effective to get what you want done. Now, that was one of the reasons I wanted it. It probably won't be necessary, but that was the protection I sought. The other one was, I wanted to be able to continue to employ our people in the building. And if we had a janitorial takeover clause we could apply it to a few floors, two, three, four floors of the building, and continue to employ our staff during a period of attrition. That was my second reason for wanting it.

~~Mr. Shipley: Wasn't there a third reason which you mentioned earlier, namely that the~~

Tape H 535 follows

June 19/73

4:10-4:15 pm

C.B.

~~(Mr. Witbeck)~~

~~employ our staff during a period of attrition. That~~
~~was my second reason for wanting it.~~

Mr. Shibley: Wasn't there a third reason which you mentioned earlier, namely that the specifications as to service were not sufficiently particular to satisfy you?

Mr. Witbeck: I would ^{NOT} say that was ^A ~~the~~ third reason. I would say that maybe could have become a third reason. But I've no reason to think the Canada Square will not tiddle up the specification in agreement with us to be suitable. I think they will.

Mr. Shibley: Mr. Witbeck, you realize this contract is, with Hydro's consent, assignable? Do you realize that?

Mr. Witbeck: Which, the whole?

Mr. Shibley: Yes.

Mr. Witbeck: No, I may not realize the full significance of that.

Mr. Shibley: And if it is assigned with Hydro's consent you may not be dealing with Canada Square at all in respect to maintenance.

Mr. Witbeck: This was not part of my thinking.

Mr. Shibley: So it's not a circumstance where you can rely on personalities, isn't that so?

Mr. Witbeck: In that ~~case~~ case perhaps we couldn't.

Mr. Shibley: And the specifications did not meet with your acceptance at the time, did they?

Mr. Witbeck: That's right.

Mr. Shibley: And the only "out" clause respecting janitorial service was a 30 cent allowance?

Mr. Witbeck: Yes.

June 19/73

4:10-4:15 pm

C.B.

Mr. Genest: Plus the escalation.

Mr. Shibley: Plus the escalation, and you consider that a grossly ~~inadequate~~ inadequate allowance according to your memorandum, *isn't that so?*

Mr. Witbeck: Yes I do. In fact the escalation doesn't come into this, it is ineffective because it is on both sides.

Mr. Shibley: Forgetting the escalation, you consider the 30 cents a grossly inadequate allowance?

Mr. Witbeck: Yes. Because it includes window washing, garbage ~~removal~~ ^{removal} and all.

Mr. Shibley: Yes.

Mr. Chairman: Mr. Witbeck, there have been a good number of exhibits, bearing either your name as an addressee or ^{AS} the author. ^{OF THOSE} ~~that~~ that have been exhibited, are you satisfied that they are in fact as you received or sent them?

Mr. Witbeck: Yes.

Mr. Chairman: There was one exhibit entered today, exhibit 167, which was neither from you, nor to you. I think it was addressed to Mr. Gathercole from Building Maintenance Council ^{SE}llors, ~~on~~ Charles B. Massell, I gather Mr. Genest has that.

Mr. Genest: Yes.

Mr. Chairman: Any other questions of this witness?

Mr. Renwick: Mr. Chairman, when that study ~~is~~ ^{is} made I hope it will include an elaboration of the actual hourly rate and supplementary benefits payable to each of the present employees of Hydro, as well as the plans for the absorption or retention of whatever proportion are going

June 19/73

4:10-4:15 pm

C.R.

(Mr. Renwick)

to be retained, ^{So} WE can ~~we~~ come to some very clear, not just the final result but the outline of the method by which the saving to Hydro can be calculated in dollar terms.

Mr. Witbeck: I ~~if~~ we fulfill exactly what you are asking for, ~~we~~ You will ask us for a detailed plan that will come into effect in 1975 and 1976 and I don't think we can detail it quite that accurately at this time.

Mr. Renwick: NO, what I was asking for is, that you have ^{AT THE} present time, a present ~~staff~~ staff,

Mr. Witbeck: Yes.

Mr. Renwick: ~~engaged~~ engaged in providing services which are going to be taken over by ~~Canada~~ Canada Square.

Mr. Witbeck: Yes.

Mr. Renwick: And they're being paid at a particular hourly rate and they have certain supplementary benefits. I think those figures should appear in whatever study is produced for the committee so that we can have some assessment of ~~what~~ ^a ~~is~~ not by name, but who is going to be absorbed by Hydro and the net overall cost of that absorption to Hydro.

Mr. Witbeck: Shall we start from today's base or last ~~September~~ November's base?

Mr. Bullbrook: Why don't we start when the commission ~~modified~~ ratified this agreement? What's wrong with that date? Because that is the date when they should have looked into it.

Mr. Renwick: I think that is a proper,

Mr. Bullbrook: Yes, sure.

Mr. Renwick: ~~... date~~ date.

June 19/73

4:10-4:15 pm

C.B.

Mr. Chairman: I think that's agreed.

Mr. Genest: I've got a little problem, I wonder if the members of the committee who want to see specific information on that study we're going to do, can sort of transmit that to Mr. Shibley, so that he and I could work out a form of study that is acceptable to all the members and answers the questions that the members would like to have, because I might produce something that might not satisfy Mr. Renwick and we'd go back to the drawing board. Perhaps I could circulate a draft even amongst the Committee.

~~Mr. Renwick: I didn't intend by my question to complicate it. It seems to me that one of the~~
~~haste...~~

~~XXXXXX~~

H 536 to follow

June 19/73
4.15 to 4.20 pm
fvk

RR

~~(Mr. Genest)~~

~~... go back to the drawing board. Perhaps I could circulate
a draft even amongst the committee.~~

Mr. Renwick: I didn't intend, by my question, to complicate it. It seems to me that one of the basic pieces of information which would be available as the date suggested by Mr. Bullbrook ^{is} claims the date on which the commission ratified these contracts; is the breakdown by job of the work now being performed setting out a brief indication of the job, the hourly rate, the supplementary benefits and how Hydro intends, or what portion of that cost, or what portion of those services, Hydro intends to absorb. I don't think that ~~is~~ is complicated. That's factual information as of the date of which the commission approved the documents.

Mr. Genest: That should be no problem, I'm sure.

~~Mr. Genest??~~

Mr. Chairman: Thank you very much, Mr. Witbeck.

Subject to recall, I think we are - certainly I know you're presently included here.

Mr. Shibley: Call Mr. Evans! Will you sign in please?

Mr. Chairman: Welcome, Mr. Arthur Evans.

Mr. Evans: Thank you.

Mr. Chairman: As a member of the House I'm not ~~a~~ certain whether it's proper to swear you before this committee or not on the basis that the member's word is taken but so there will be no differentiation and as long as you're content to be sworn I'll swear you in. Is that okay?

Mr. Evans: Yes.

MR. D. ARTHUR EVANS, MPP, sworn.

Mr. Shibley: Mr. Evans, for what period of time ~~has~~ have you been a commissioner of the Ontario Hydro Commission?

Mr. Evans: It will be two years on June 29 this year.

Mr. Shibley: So that you took ~~my~~ office in June, 1971?

Mr. Evans: July 1, 1971, yes.

Mr. Shibley: And during that period of time when was the first occasion on which you were asked to consider and

June 19/73
4.15 to 4.20 pm
fvk

(Mr. Shibley)

contribute to the decision as to the lease-purchase agreement for the new head office building?

Mr. Evans: June 29, 1972.

Mr. Shibley: Prior to that date had you any communication, ~~with~~ written or oral, with anyone respecting the new head office building, and particularly the lease-purchase agreement ~~in~~ entered into with Canada Square?

Mr. Evans: No, but I knew that a building was being considered. I knew that when I took ~~my~~ office on July 1, 1972. My duties were outlined to me at that time and Mr. Gathercole told me that the commission was going to consider building a new building.

Mr. Shibley: In July 1971, I believe -

Mr. Evans: ~~19x~~ Nineteen seventy-one, yes.

Mr. Shibley: Yes, ~~19x~~ in July 1971 did he mention to you that the commission was considering a lease-purchase?

Mr. Evans: No he did not, no.

Mr. Shibley: When did you first hear that type transaction was in the offing?

Mr. Evans: June 29, 1972.

Mr. Shibley: I see. Do I take it, therefore, that you were not aware until that date of any studies, or investigations, that were taking place on the part of the staff at Hydro?

Mr. Evans: No.

Mr. Shibley: At the meeting of June 29, 1972, there was tabled before you a seven-page memorandum dated June 23~~8~~, is that correct?

Mr. Evans: That's right.

Mr. Shibley: Was any other documentation tabled with you?

Mr. Evans: I think there was one by Mr. Nastich, I think, at that time.

Mr. Shibley: Are you thinking of the April 10 memorandum that was compiled by Mr. Mink and Mr. Candy but respecting which Mr. Nastich made comment?

June 19/73
4.15 to 4.20 pm
fvk

Mr. Evans: Right.

Mr. Shibley: Am I not correct that that document was not reproduced and circulated but rather merely referred to by Mr. Nastich at the meeting?

Mr. Evans: That's right.

Mr. Shibley: You didn't receive a copy of it?

Mr. Evans: No, I ~~was~~ did not.

Mr. Shibley: The only document you received was the June 23 summary of the earlier document?

Mr. Evans: That's right.

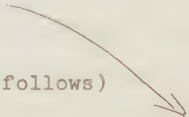
Mr. Shibley: When did you receive that document?

Mr. Evans: The day of the commission meeting.

Mr. Shibley: Yes. At that meeting a decision to defer a consideration was made. What was the reason for the ~~dec~~ deferral?

Mr. Evans: I think myself especially, asked a few questions. I wanted to know why we couldn't build it ourselves. I wanted to know why we couldn't use the stabilization fund. I wanted to know why we couldn't use the pension fund. And I was told that back in 1968-1969, I guess it was, that they mentioned, or tried to use, or got some information on the pension fund at that time and I believe that it was Mr. Farmer that said ~~but~~ that we couldn't use the pension fund. I also was told that the stabilization fund could not be used for that purpose. Of course, I was told that ^{if} ~~that~~ they tried to build the building themselves, that Hydro did, at that time the government wouldn't allow them to raise the money.

(H-537 follows)



June 19, 1973
5.20 - 4.25 p.m.
M.R.

(~~Mr. Evans~~)

~~for that purpose and of course I was told that they tried to build the building themselves, that Hydro did it at that time and the government wouldn't allow them to raise the money.~~

Mr. Shibley: Why not?

Mr. Evans: Well, I guess it was tough times ~~at that~~ then. I think they were building the complex across from the parliament buildings and money was tight and labour was scarce and things of that nature.

Mr. Shibley: You haven't mentioned any suggested limit on the borrowing by Hydro as affected by other projects. Was that raised at the meeting?

Mr. Evans: Yes, that was raised, ~~yes~~.

Mr. Shibley: But only as one of the items?

Mr. Evans: Right.

Mr. Shibley: I see. Now then you had a further meeting on July 12th, at which time I understand from Colonel Kennedy, that again the only document that was in the possession of the commissioners was the memorandum of June 23rd.

Mr. Evans: Yes, that's right but that document — it wasn't on the agenda that day. We just discussed it informally.

Mr. Shibley: You just discussed it informally, and I gather it was a very brief discussion that day?

Mr. Evans: That's right.

Mr. Shibley: And notwithstanding that the matter had been deferred for further study, you had no report upon this study on July 12th?

Mr. Evans: No, we didn't at that date, ~~no~~.

Mr. Shibley: I see. But yet on July 12th authority was given by the commission to negotiate with Canada Square to work out an arrangement. Isn't that so?

Mr. Evans: Well, I believe that was in the memo of Mr. Eassons, yes.

June 19, 1973
8.20 - 8.25 p.m.
M.R.

Mr. Shibley: Well, did it happen?

Mr. Evans: I think it did, yes.

Mr. Shibley: Yes, and it happened without benefit of any other further information compiled during the interval of June 29th to July 12th?

Mr. Evans: Well, there was a lot of discussion on different things that were brought up at the June 29th meeting ~~and~~ Some of the questions which I asked on June 29th were again given to me on July 12th. I still was trying to find out really if we couldn't build it ourselves.

Mr. Shibley: I see. I had taken from your earlier answer that the discussion referable to this topic had been brief ~~and~~

Mr. Evans: It was brief, yes.

Mr. Shibley: So there was no in-depth consideration?

Mr. Evans: No.

Mr. Shibley: Then you had a further meeting on July 19th and that's the one at which approval was given to enter into the contract?

Mr. Evans: Right.

Mr. Shibley: Now, in that respect again was the only document before the commission the memorandum of June 23rd?

Mr. Evans: That's right.

Mr. Shibley: Was there any report made respecting investigations effected subsequent to the June 29th meeting?

Mr. Evans: Well, ~~the~~ the questions that were brought up at that time ~~they~~ were answered to my satisfaction, ~~and~~ I had to rely on our experts and I was satisfied with the answers they gave me that Canada Square was the company we should deal with. They had the best proposition and I agreed with them.

Mr. Shibley: Mr. Evans, as part of what Mr. Nastich was raising at the June 29th meeting, he mentioned the question of prorating, and whether this was a valid premise upon which to make a comparison.

June 19, 1973
4.20 - 4.25 p.m.
M.R.

(Mr. Shibley)

That's indicated by his own memorandum as ^(it) relates to the meeting of June 29th. Do you remember him raising that with you?

Mr. Evans: Yes. I remember that, ~~and~~

Mr. Shibley: And did you recognize at the time that you were evaluating the four proposals that were outlined in the June 23rd memorandum, that it was by the prorating process that Canada Square became competitive. Did you realize that?

Mr. Evans: Yes.

Mr. Shibley: Did you question that?

Mr. Evans: Well, I didn't question how they arrived at them. As I say, I relied on ^(the) experts. I didn't question how they arrived at the figures.

Mr. Shibley: Well, Mr. Evans, ~~didn't~~ it seem strange to you that three other developers were proposing to build a building according to the specifications laid down by Mr. Candy for less money, but the recommendation to the commission ^(was) that it should accept the proposition that a building costing no less than \$34 per square foot should be accepted?

Mr. Evans: Well, I think we have pretty good fellows like Ken Candy working for Hydro and I relied on his judgement.

Mr. Shibley: Well, what I want to know first, was it even considered at the commission meetings that I've referenced?

Mr. Evans: Yes, I would say it was considered.

Mr. Shibley: ~~You would say it was considered. What do you mean by that?~~

Mr. Evans: ~~Well, we discussed a lot of things. I just.~~

June 19, 1973
4:25 - 4:30 p.m.
B.G.

~~(Mr. Evans)~~

~~Mr. Evans: Yes, I would say it was considered, yes.~~

Mr. Shibley: You would say it was considered. What do you mean by that?

Mr. Evans: Well, we discussed a lot of things. I just can't remember everything we discussed, but certainly the four companies which had given us prices on the ^{new} building. We were told at that time by Ken Candy that Canada Square Corporation would do the best job. So I took his advice.

Mr. Shibley: But if you looked at the memorandum of June 23, Mr. Evans, you would have noted that he set out certain schedules in that memorandum. Did it not? Comparing the four proposals.

Mr. Evans: Yes.

Mr. Shibley: And you would ~~have~~ recognize that other developers had proposed building a building for less cost.

Mr. Evans: Well, I think ~~the~~ Horizon was the lowest, was it not?

Mr. Shibley: Before the pro-rating process, all three ^{other} of the ~~other~~ developers ~~proposed~~ proposed to build this building for less money.

Mr. Evans: Well, I was looking at the pro-rating.

Mr. Shibley: Yes, what I am interested in knowing is what, if any, examination, was entered upon by the Commissioners ^{pro-rating} respecting that ~~pro-rating~~ process?

Mr. Evans: Well, certainly I didn't question them on it. I took the advice from ~~the~~ ₁₋₁

Mr. Shibley: You just accepted it as a premise upon which to proceed?

Mr. Evans: Right.

Mr. Shibley: And did the other Commissioners do the same?

Mr. Evans: Well, I think they can speak for themselves.

Mr. Bullbrook: No, no.

Mr. Shibley: Well you were there, and Mr. ~~Evans~~ Evans, have you no recollection as to the ~~other~~ others?

June 19, 1973
4:25 - 4:30 p.m.
B.G.

H-538-2

Mr. Evans: Oh, yes I have, if you --

Mr. Shibley: Well, I'd like to compare your own evidence with that of theirs. What is your recollection of whether they entered upon a consideration of the prorating process?

Mr. Evans: Well, I think they, along with me, accepted Ken Candy's explanation, accepted it as it was.

Mr. Shibley: And what was the explanation?

Mr. Renwick: Mr. Evans, did you recall anybody ~~anyone~~ objecting to the prorating proposal?

Mr. Evans: No, I didn't.

Mr. Shibley: What was the explanation, as you recollect it, made to you by Mr. Candy for this process?

Mr. Evans: Well, Mr. Candy, of course, was sold on Canada Square. There is no doubt about that, and I didn't know that at the time, but he certainly recommended Canada Square to us. He thought we should take their proposal.

Mr. Shibley: You're not answering my question. What rationale did Candy make, if anything, for the prorating process?

Mr. Evans: Well, as I said, I didn't ask any questions as to how they arrived at the prorating. I didn't ask any questions.

Mr. Shibley: ~~are~~

Mr. Shibley: Well, then, are you telling us that having not asked him, he made no explanation to the Commission at these meetings ~~separable~~ to the prorating process?

Mr. Evans: Well, he mentioned the fact that he started out with \$34. a square foot and he prorated it from there.

Mr. Shibley: But he didn't say why.

Mr. Evans: Well, he said because it was the quality of the building.

Mr. Shibley: I see.

Mr. Evans: That's what ^{he} ~~we~~ took into consideration.

Mr. Shibley: And no one questioned him further on it?

Mr. Evans: No.

H-538-3

June 19, 1973
4:25 - 4:30 p.m.
B.G.

Mr. Shibley: I see. Now, you have already said ~~that~~ that the first you heard, they were going to do the building on a lease-purchase basis was on June 29, 1972. That is correct?

Mr. Evans: That's right.

Mr. Shibley: Did you raise, with members of the Commission and staff at that meeting or the subsequent meetings, the advisability of proceeding on that premise as opposed to building your own building with your own funds?

Mr. Evans: Well, I was told we couldn't do it with our own funds, and we needed the building badly. So ~~that~~ there was only ~~one~~ one way of getting it, ^{and that} was to go on a lease-purchase.

Mr. Shibley: And who told you that?

Mr. Evans: Well, in our ~~discussions~~ discussions, As I mentioned earlier on, ~~I~~ I was told at the meeting by Mr. Gathercole that ^{Build the} they tried to building back in 1968-69 with ^{their} own money, and ~~we~~ were ~~unable~~ unable to do so. I was told that we couldn't use the pension fund ~~because because~~ because of ~~it~~.

Mr. Shibley: Just before you leave that first item.

Were you not told that the reason you didn't proceed in 1969 was because of the inflationary trend in the economy at that time?

Mr. Evans: That's right; that was one of the things, yes.

Mr. Shibley: All right, go on.

Mr. Evans: ~~So~~ that was one of the things. The other thing, of course, was that the government was building the complex at that time and contractors, I understand, were scarce, ~~because~~ because of the high cost of construction.

Mr. Shibley: The first time the Commission sought outside expert assistance was at the meeting of.

(Tape H539 follows)

June 19/73
4:30-4:35 pm
PLG

~~(Mrs. Evans)~~

~~to construction.~~

~~Mr. Shibley: The first time the Commission sought~~
~~outside expert assistance was at the meeting of July 19. Is~~
that correct?

Mr. Evans: You are talking about getting Mr. James McCallum?

Mr. Shibley: Yes.

Mr. Evans: Yes. That is right. We talked about it before that, but that is when we got him over, yes.

Mr. Shibley: Did you as commissioners realize that there was no one within the staff of Hydro with any experience of expertise in this type of transaction?

Mr. Evans: Well, certainly I thought that Mr. Candy had.

Mr. Shibley: In lease=^{of}purchase type [^]transactions?

Mr. Evans: Well, he had I guess been talking with ~~some~~ people who are in that business and we thought at that time that we should have somebody to check it, ^{to} see that all the i's are dotted and t's are ~~are~~ crossed.

Mr. Shibley: So as far as the commissioners were concerned, they were relying upon the expertise that Mr. Candy had acquired, by talking to developers in the period immediately preceding. Is that right?

Mr. Evans: That is right.

Mr. Shibley: Now, ~~was~~ at none of these meetings that I have referenced was the matter of the effect of exchange rate upon borrowings by Canada Square in foreign markets raised. I am correct in that, am I not?

Mr. Evans: Well, I think it was mentioned probably on the meeting of July 19. I can recall ^{it} the contract that if the interest rate was less than 8 per cent, why we would get the benefit of it. If it was over 8 1/4, why Canada Square would have to absorb that.

Mr. Shibley: Mr. Evans, I am not talking about ~~the~~ ^{the} a fluctuation ~~of~~ ⁱⁿ interest rates. I am talking about a fluctuation in exchange rates on funds borrowed in foreign markets. That is not part of the June 23 memo, and I take it it was not mentioned by Mr.

June 19/73
4:30-4:35 pm
PLG

(Mr. Shibley)

Candy or anyone else attending those Commission meetings.

Mr. Evans: No, I never heard anything about that. No.

Mr. Shibley: Now then, there is a memorandum that you heard read in this hearing, dated October 3, 1972, referencing comments by Mr. Seguin at a recent Commission hearing, and in view of that circumstance, a rationale was developed for the doing of a lease-purchase. What comments, if any, do you remember Mr. Seguin making and when were they made?

Mr. Evans: There never was any, ~~and~~ Mr. Seguin never mentioned anything at the Commission meetings.

Mr. Shibley: Well, quite apart from a Commission meeting, have you ever heard Mr. Seguin make any comment that might give rise to the creation of a rationale, ~~and~~ a document called a rationale, for the course followed in selecting a developer?

Mr. Evans: Are you referring to a letter that we received?

Mr. Shibley: Yes, or it may be what is referred to. Do you have any memory whatsoever of any comments made by Mr. Seguin?

Mr. Evans: I remember him telling me that he received a letter from one of the contractors.

Mr. Shibley: Yes. Just you personally?

Mr. Evans: No, I think he told the rest of them, too.

Mr. Shibley: What was the occasion of this discussion?

Mr. Evans: Well, I think it was just a casual meeting or when we were probably having lunch one day, or something like that.

Mr. Shibley: Would this be during a luncheon on a day of a Commission meeting?

Mr. Evans: I would think it would be, because that is when Mr. Seguin came to Toronto. And the only time, I believe.

Mr. Shibley: What is your memory of what was said?

Mr. Evans: Well, I think that ~~is~~ I believe it was Ellis Don where the letter came from. I can't tell you exactly what the letter said, but I understand that he was disappointed or something at not getting the contract. I can't give you the details of the letter.

Mr. Shibley: That's your best recollection of what was said?

Mr. Evans: That's my best recollection.

Mr. Shibley: Was there any discussion between you as commissioners at any time of the impact of the friendship that existed ~~between~~

(Tape H 540 follows)

June 19/73

4:35 - 4:40 pm

C.B.

(Mr. Shibley)

~~at any time, the impact of the friendship that existed~~
between Mr. Moog and Premier Davis regarding this contract?

Mr. Evans: No.

Mr. Shibley: ~~Neither~~ Neither before the ~~contract~~
contract was approved nor after?

Mr. Evans: That's right.

Mr. Shibley: Neither at the time of your luncheon
discussion with Mr. Seguin respecting the disappointed
developer?

Mr. Evans: There never was any discussion
on that matter at all.

Mr. Shibley: It was not raised?

Mr. Evans: ^{No} ~~No~~ sir.

Mr. Shibley: Was it ever a matter of discussion
between you and any of the other commissioners that Mr.
Moog was a contributor to any ~~or~~ political party or
supporter of any political party of this province?

Mr. Evans: No, sir.

Mr. Shibley: ~~Neither~~ ^{No} neither before ^{nor} ~~or~~ after
the approval of the transaction by the commission?

Mr. Evans: ^{No} ~~No~~ sir.

~~Mr. Shibley~~

Mr. R. G. Hodgson: ^{Shibley} Mr. ~~Shibley~~ I wonder if you
would ask ^{this} ~~the~~ witness ^{does} ~~did~~ he know Mr. Moog or had
he associated with ^{him} ~~them~~?

Mr. Shibley: Do you know Mr. Moog?

Mr. Evans: Well I met him after these ~~charters~~

June 19/73

4:35 - 4:40 pm

C.B.

(Mr. Evans)

hearings started, yes.

Mr. Shibley: Had you not ~~known~~^{known} him prior to these hearings?

Mr. Evans: No, sir.

Mr. Shibley: ~~Had~~^{Had} you ever had any communication with Mr. Moog of any nature or kind whatsoever prior to these hearings?

Mr. Evans: No, sir.

Mr. Shibley: Was any effort made by anyone to influence you as a commissioner in your decision respecting the approval of this contract with Canada Square?

Mr. Evans: No, sir.

Mr. Chairman: Other than ^{by} Mr. Candy.

Mr. Evans: Other than Mr. Candy, yes.

Mr. Shibley: I mean other than by ~~the~~ members of the staff of Hydro and predicated upon the report of June 23.

Mr. R.G. Hodgson: I wonder also would you ask him if he ever visited the OISE building or had ever talked to Barry Brooks about it. ^{Mr. Shibley:} ~~Thank you~~ I am obliged to you, Mr. Hodgson.

Mr. Evans: ~~No~~^{No} I never visited OISE building or talked to Mr. Brooks, no.

Mr. Shibley: Were you even aware that a study had been made of the OISE building and its documentation by Hydro?

Mr. Evans: I didn't know until I guess June 29.

2001-2002

June 19/73

4:35 - 4:40 pm

C.B.

Mr. Shibley: Excuse me, Mr. Chairman. Mr. Evans with respect to the abandonment of the original plan, was that a matter which was considered by the commission?

Mr. Evans: Never at any commission meeting that I sat on, no.

Mr. Shibley: So that decision was taken as of course on the basis of the recommendation that you enter into a lease-purchase contract with ^{Canada} ~~Canada~~ Square?

Mr. Evans: That's right.

Mr. Shibley: ^{You} ~~you~~ never looked behind that decision to ascertain ~~was~~ whether the plans for the original structure could be implemented or salvaged?

Mr. Evans: ^{No} ~~No~~, I didn't.

Mr. Shibley: And neither did any of the other commissioners?

Mr. Evans: To my knowledge, they didn't.

Mr. Shibley: I have no further questions.

Mr. Chairman: Any member of the committee? Mr Renwick.

Mr. Renwick: Mr. Evans, at the June 29 meeting, and ~~to~~ at the July 12 and July 19 meeting^s, what was your opinion or assumption with regard ^{to} the government's role in the transaction that Hydro was about to enter into for the head office building?

Mr. Evans: I felt that the commission had the power to go ahead and build the buildings themselves as long as they didn't go out and raise the money.

Mr. Renwick: You believed that so long as Hydro did not have to borrow...

Mr. Evans: Right.

Mr. Renwick: ~~because there was no requirement for government approval. (Are you as a commissioner familiar with the Power Commission Act?)~~

June 19th, 1973

Mr. Renwick: ... that there was no requirement for government approval?

Mr. Evans: That's right.

Mr. Renwick: Are you, as a commissioner, familiar with the Power Commission Act?

Mr. Evans: Yes.

Mr. Renwick: And that there are a broad number of sections which, in addition to the borrowing power section, require the approval of the Lieutenant Governor in Council?

H 541 to follow

June 19, 1973
4.40-4.45 p.m.
M.F.

H - 541 - 1

(Mr. Renwick)

~~sections which in addition to the borrowing power section
require the approval of the Lieutenant Governor in Council?~~

Mr. Evans: I don't think it does if you don't have
to borrow money and as I understand it, ^{and} our legal people tell me
this is true, that if we had had to go out and build the building
~~issue~~ and ~~show~~ bonds or debentures we would have had to get approval
of the government, but in this case we didn't.

Mr. Renwick: Did the question come up at the commission
meeting as to whether or not any government approval was required?

Mr. Evans: To my knowledge, no.

Mr. Renwick: Did you assume or ask any questions as to
whether or not government approval was required?

Mr. Evans: I knew that the government didn't have to
give approval. I knew that myself that they didn't have to.

Mr. Renwick: But there was no legal opinion given
to the commissioners with respect to the capacity of Hydro to
embark on this project in this way without government approval?

Mr. Evans: To my knowledge no.

Mr. R. G. Hodgson: I wonder if Mr. Evans you would ^{say}
in your terms of reference ~~place the~~ ^{as vice-} chairman - were you the
liaison between the commission and the executive in their
terms of reference?

Mr. Evans: To the government?

Mr. R. G. Hodgson: No, in terms of reference to your
duties. Are you the liaison person between the executive and
the commission? Is that part of your duties?

Mr. Evans: To the executive of the commission you mean?

Mr. R. G. Hodgson: No, the executive of the cabinet.

Mr. Evans: No, I am not. The

Chairman, it is his duty to

inform the government or ask the government permission to do
things if it is necessary to get it? ^{Mr. R. G. Hodgson:} That is not part of your
duties?

June 19, 1973
4.40-4.45 p.m.
M.F.

H - 541 - 2

Mr. Evans: That is not part of my duties, no.

Mr. Renwick: Mr. Evans, I take it that ^{at} any of the meetings at which the head office project was considered that the question of whether government approval was required or not was simply not raised or discussed?

Mr. Evans: To my knowledge it wasn't raised no, or discussed.

Mr. Renwick: Mr. Evans, did you assume that government approval was required or are you adhering to your previous statement that you were satisfied that it wasn't required?

Mr. Evans: I am satisfied ~~it~~ it wasn't required.

Mr. Renwick: Mr. Evans, were you aware that the chairman had written to Premier Davis on May 16th, 1972, with respect to the Hydro head office project?

Mr. Evans: I wasn't aware of that until I heard it here at the meetings, the hearings here.

Mr. Renwick: You had no knowledge of that?

Mr. Evans: No.

Mr. Renwick: Did you and the chairman discuss the trip that the chairman had to Japan along with Mr. McKeough and any discussion about the head office project that took place during the course of that trip?

Mr. Evans: Yes, he discussed that, yes he did.

Mr. Renwick: And would you let the committee have your ~~re~~ recollection of that discussion?

Mr. Evans: Well he answered the questions which I asked on June 29th and he told me at that time that in a trip to Japan he talked to the Treasurer, the Hon. D'Arcy McKeough and at that time that Mr. McKeough felt that it wasn't possible with the commitment that Hydro had in construction and ~~different~~ ^{various} plants and so on that it wasn't possible to raise the money and that they would have to find some other means of building the building.

June 19, 1973
4.40-4.45 p.m.
M.F.

H - 541 - 3

Mr. Renwick: I take it from your answer that any discussion you had with Mr. Gathercole as chairman about these matters took place at the June 29th meeting and not at any time prior to that?

Mr. Evans: That is where I asked most of the questions and that is where I got the answers.

~~and the witness~~

Mr. Renwick: Were you aware that Mr. Gathercole, as chairman, had requested one of the memoranda in the spring of 1972, detailed studies so that proposals could be made to the cabinet?

Mr. Evans: Would you ask me that question again?

Mr. Renwick: In - what was the date? Yes, in the -----

Mr. Bullbrook: I think it was March, wasn't it?

Mr. Renwick: I think it was March, it led up to the 10 April memorandum. It was early March.

Mr. Genest: Does the witness have the exhibit if he is going to be asked about it?

Mr. Chairman: Exhibit 63, is that the one you are looking for?

Mr. Genest: The memorandum from Mr. Sissons to Mr. Gathercole? March 9th, 1973?

Mr. Renwick: I think it is exhibit number 34. Yes, that is the correct one.

Mr. Chairman: Are you satisfied exhibit 34 is the one you are looking for are you?

Mr. Renwick: Yes, Mr. Chairman.

Mr. Evans: I never saw this document and I never discussed it with the chairman.

Mr. Renwick: I understand you didn't see the document. Did you have any discussion with Mr. Gathercole as chairman during March, April, May or June prior to the commission meetings with respect to -----

Tape H - 542 follows



June 19, 1973
4.45 to 4.50
M.T.

H-542-1

(Mr. Renwick)

~~received the document, did you have any discussion with~~
~~Mr. Gathercole as Chairman during March, April, May or June prior~~
~~to the Commission meetings with respect to the relationship between~~
Hydro and the government of Ontario about the head office project?

Mr. Evans: No, I didn't.

Mr. Renwick: On no occasion did you discuss this matter
with Mr. Gathercole apart from the Commission meetings?

Mr. Evans: No, that's true.

Mr. Renwick: I have no further questions, Mr. Chairman.

Mr. Chairman: ~~Was~~ Anyone else?

Mr. Bullbrook: Yes, I have a series of short questions.
Were you here, Mr. Evans, when Colonel Kennedy was giving his
evidence yesterday?

Mr. Evans: Yes, I was.

Mr. Bullbrook: You recall the evidence of Mr. Kennedy
that ~~that~~ there was no discussion by the Commission of the effective
~~exchange~~ of changes in foreign exchange rates with respect to
the lease-purchase agreement. I take it ~~if~~ from your response
to the committee counsel that you agree with that evidence?

Mr. Evans: I do, yes.

Mr. Bullbrook: You recall the evidence of Colonel
Kennedy/
~~Gambrell~~ that there was no discussion at the Commission in connection
with the abandonment of the prior plan, ~~and~~ I take it from your
evidence that you agree with Colonel Kennedy.

Mr. Evans: Yes.

Mr. Bullbrook: You heard the evidence of Colonel Kennedy
yesterday that there was no further discussion of the reservations
expressed by Mr. Nastich in his memorandum, and I take it from
your evidence you agree with that?

Mr. Evans: I do.

June 19, 1973

4.45 to 4.50

N.T.

H-542-2

Mr. Bullbrook: Now, you have heard the discussions ~~xxxx~~

today, the questions by the committee in connection with the effect →

Mr. Genest: Just a moment, I think that that question

is not consistent, the last one, with the evidence that this witness gave earlier. I think you ought to be fair to him.

Mr. Bullbrook: I thought it was.

Mr. Genest: No, he said that ^{on} the 19th, the questions

he had asked were answered; and those included Mr. Nastich's questions.

Mr. Bullbrook: I am sorry, I want you to understand that

I am not trying to be unfair at all.

Mr. Genest: I appreciate that, Mr. Bullbrook, and I hope

you will appreciate my interruption, I thought that ←

Mr. Bullbrook: I appreciate ~~it~~ ^{it} ~~there~~

Mr. Genest: ← that might have caught the witness off guard.

Mr. Bullbrook: I'm not enamoured of the word fair or ⁱⁿ ~~fact~~.

I am just trying to point out, and it's quite obvious, that there is a concurrence of evidence between Colonel Kennedy and the vice-chairman of the Commission. The Commission didn't discuss exchange rates, right? And they didn't discuss the abandonment of the plans. Now I take it there is a divergence of evidence, and you correct me, Mr. Genest, if I am wrong, recognizing the age of Colonel Kennedy, ~~that~~ I understood the evidence to be that he didn't recall any further discussion by the Commission of the reservations of Mr. Nastich. Now, I obviously am wrong; in response to the committee counsel, I take it you did discuss ^{the} ~~it~~ further →

Mr. Evans: I said before that the questions of June 29

were answered to my satisfaction at the meeting of July 19.

Mr. Bullbrook: And who answered those questions?

Mr. Evans: Well, I think Mr. Nastich and the Chairman

and Mr. Gathercole and Mr. Candy.

Mr. Bullbrook: And did you question Mr. Nastich individually

about this?

June 19, 1973
4.45 to 4.50
M.T.

H-542-3

Mr. Evans: ~~Well~~, I didn't question him individually, no.

Mr. Bullbrook: Who did?

Mr. Evans: Well, I think during the discussion when I had asked these questions about why we didn't build the building ourselves; why we didn't use the pension fund; why we didn't use the stabilization fund; ~~and he~~ he gave the same reasons then; he answered the questions the same as ~~they had been~~ ^{I got the same} answered at the meetings of June 29.

Mr. Gaunt: Mr. Chairman, can we take it then we have established the fact that Mr. Nastich was at that meeting?

Mr. Shibley: Yes.

Mr. Genest: Which meeting? Which meeting?

Mr. Shibley: The July 19 meeting?

Mr. Gaunt: July 19.

Mr. Genest: ~~He~~ ^(Mr. Nastich) was on holiday that day.

Mr. Bullbrook: Well, how could Mr. Nastich explain to Mr. Evans' satisfaction on July 19 if he wasn't even there?

Mr. Evans: Well, I guess it wasn't him if he wasn't there. It certainly was explained to me, to my satisfaction. My ~~questions~~ questions were answered to my satisfaction. I wasn't aware of whether Mr. Nastich was ~~at that meeting~~ ^{on} July 19, it's pretty difficult to remember everyone who was at the meetings.

Mr. Bullbrook: Yes, I am going to pass on completely ~~to~~ ^{from} the discussion of Mr. Nastich's reservations. Were there any discussions of the effect of the maintenance rate anticipated in connection with the lease-purchase agreement on the employment status of any of the Hydro employees?

Mr. Evans: ~~Not to my knowledge, no.~~

Tape H-543 follows

June 19, 1973
4:50 - 4:55 pm
JLP

(Bullbrook)

~~anticipated in connection with the lease purchase agreement on the employment status of any of the Hydro employees.~~

Mr. Evans: Not to my knowledge, no.

Mr. Bullbrook: Those are all the questions I ~~have~~ ^{have}.

Mr. Chairman: Any other members have any questions

to ask?

Mr. Bullbrook: I am sorry. I do have one more question, I apologize. ~~There~~ ^{There} is one more question. Mr. Evans, you discussed, or said in your evidence, directly, that you were under the impression that neither the stabilization fund ~~could be used~~ nor the pension fund could be used.

Mr. Evans: That's right.

Mr. Bullbrook: Was it ever brought to your attention that some \$40 million dollars had been offered by an outside source, to Hydro for the building of a building?

Mr. Evans: No.

Mr. Shibley: Mr. Evans, just before you leave, I want it clear for the assistance of the committee, that what was being answered at the follow-up meetings ~~where~~ ^{were} your questions. But what was not provided was any explanation as to the reason for pro rating, which was one of the key matters raised by Mr. Nastich. Isn't that so?

Mr. Evans: Well, when the figures were presented to the Commission on that day, ~~when~~ ^{they were} pro rated figures, as I said before, I didn't question them, how they arrived at them, I relied on our experts.

Mr. Shibley: That's my point. What was answered in the follow-up meetings were questions that you had raised, not the questions raised by Mr. Nastich. Isn't that so?

Mr. Evans: Well, I think Mr. Nastich has some of the same questions, if I recall correctly, he was ~~saying~~ ^{asking} some of the questions that I asked.

Mr. Shibley: I am thinking of the issues raised in his memorandum, one of the key ones of which was the validity for pro-rating. That was not among the list of items that you say you asked questions

June 19, 1973
4:50 - 4:55 pm
JLP

(Mr. Shibley)

about and received satisfaction.

Mr. Evans: No, I didn't ask any questions about them.

Mr. Bullbrook: We better understand each other for the purpose of the record.

Mr. Chairman: Right. Mr. Bullbrook and then Mr. Gomer.

Mr. Bullbrook: I don't intend to get into an undue dialogue with Mr. Genest. But I must say that's my exact understanding of the evidence; that's the way I accept this evidence —

Mr. Shibley: That's why I asked the question.

Mr. Bullbrook: —and ~~it's possible~~ if counsel for Hydro doesn't want me to accept the evidence that way, he had better bring some evidence forward that negates my present inclination.

Mr. Shibley: Mr. Bullbrook, I had the feeling that there was this misunderstanding which was why I asked those follow-up questions. I think, as a matter of record now, ~~what~~ what this witness has said is this: he raised certain questions of members of the staff at the first meeting, ~~and~~ They were answered to his satisfaction.

Mr. Nastich raised questions, as evidenced by his June 29 memorandum, which were not the subject of subsequent consideration by the Commission. Isn't that so Mr. Evans?

Mr. Evans: I would say that's so, yes.

Mr. ~~Chairman~~ Shibley: All right.

Mr. Chairman: Mr. Gaunt.

Mr. Gaunt: ~~Well~~ Mr. Chairman, I was just wondering if Mr. Shibley would ask Mr. Evans who was, in fact, at that meeting of July 19 and was there anyone from the finance branch in attendance?

Mr. Shibley: Thank you Mr. Gaunt. Would you please answer the question Mr. Evans. Who were in attendance at that meeting?

Mr. Evans: I can't remember everyone who was at that meeting.

Mr. Shibley: Who from the staff was there?

Mr. Evans: Well, I would assume that the general manager was there, Mr. Gordon; the —

Mr. Shibley: Perhaps Mr. Genest can from the minutes proper, tell us who were at the meeting.

Mr. Genest: ~~Mr.~~ The persons present were Mr. Gathercole, Mr. Evans, Col. Kennedy, Dr. Fleming, Mr. Danis, ~~Mr. Gordon, the general manager, Mr. Eason, the secretary, Mr. Eason, the Asst. General Manager, Mr. Russell, another Asst. Gen. Manager, Mr. Ireland another~~

(Tape H 544 follows)

H-544-1

(MR. Genest)

↓ Mr. Gordon, the general manager; Mr. Easson, the secretary; Mr. Sissons, the assistant general manager; Mr. Russell, another assistant general manager; Mr. Ireland, another assistant general manager; Mr. Campbell, the assistant chief engineer; Mr. Gomer, the controller; Mr. Candy and Mr. McCallum.

Mr. Shibley: Thank you.

Mr. Chairman: Thank you, Mr. Evans.

Mr. Shibley: We'll call Mr. Seguin.

Mr. Chairman: The proposal which counsel made to me and which I accepted, and I suppose I should put direct to you ^{was} that we should carry on to six without a break now, in light of the fact that there is not all the one witness that is going to be examined. Is it intended to do that.

Mr. Shibley: Probably.

Mr. Chairman: Call Mr. Seguin.

ROGER NANTEL SEGUIN, Sworn.

Mr. Shibley: Mr. Seguin, for what period have you been a commissioner of the Ontario Hydro Power commission?

Mr. Seguin: Late September 1971.

Mr. Shibley: To date?

Mr. Seguin: To date, yes.

Mr. Shibley: I might tell members of the committee that I have a curriculum vitae for Mr. Seguin and it is extremely impressive. I would just like to take a little time in going through some of it with you. I understand that you graduated in law from the University of Montreal in 1938. Is that correct?

Mr. Seguin: Right.

Mr. Shibley: And you have an LL.D from the University of Ottawa?

Mr. Seguin: Right.

Mr. Shibley: You are a member of both the Quebec and Ontario bars.

Mr. Seguin: Right.

H-544-2

Mr. Shibley: And you received the Order of Canada Vanier medal in 1967. Correct?

Mr. Seguin: Right.

Mr. Shibley: You were named Man of the Year in 1967 by the Jeune Chambre me

Mr. Seguin: The Quebec Chamber of Commerce.

Mr. Shibley: Thank you.

Mr. Chairman: You didn't give Mr. Evans, my good friend Mr. Evans, all these credits.

Mr. Shibley: I'm sorry.

Mr. Gaunt: You have got to be a lawyer to get these credits?

Mr. Shibley: And just going down the line, I would say the appointments are numerous and most impressive. Mr. Seguin, I'd like to ask you when you first were informed of a decision on the part of staff of Hydro to recommend a lease-purchase agreement for the construction of its head office building?

Mr. Seguin: Actually, I missed the June meeting, but I knew at the July 12 meeting which I attended that this was what they were recommending at the time.

Mr. Shibley: You had not been at the June 29 meeting?

Mr. Seguin: No, I was not.

Mr. Shibley: Did you receive by mail or otherwise a copy of the June 23 memorandum?

Mr. Seguin: Yes, I had seen that.

Mr. Shibley: And can I take it that this was the only document delivered into your possession referable to the transaction?

Mr. Seguin: Right. Up to July 12, yes.

Mr. Shibley: Did you subsequently receive any other documentation for your consideration?

Mr. Seguin: Well, at the July 12 meeting I must say that I did get from Mr. Nastich a little red cover book explaining the financial ~~xxx~~ problems in it. But it was taken from ^{me} at the end of the meeting so I didn't have a chance to go through it thoroughly.

June 19/73
4:55 - 5:00 pm
CA

H-544-3

Mr. Shibley: Are you thinking of the April 10 memorandum prepared by Mr. [redacted]?

Mr. Seguin: I guess it is that one. It is a red cover.

Mr. Shibley: Would it run to some 30 pages?

Mr. Seguin: ^{#2}Blue cover, he says.

Mr. Shibley: Mr. Nastich, can you help us identify it? Was it the April 10 memorandum?

Mr. Nastich: I think it was Mr. Shibley.

Mr. Seguin: Yes, it was that.

Mr. Shibley: And you say at the July ~~12~~,

Mr. Seguin: July 12.

Mr. Shibley: July 12 meeting, that was delivered into your hands.

Mr. Seguin: Right.

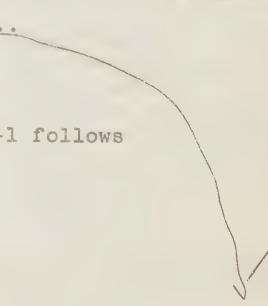
Mr. Shibley: I gather however, that the time spent respecting this matter at that meeting was quite brief?

Mr. Seguin: I wouldn't say that. The minutes may have abbreviated it, but I noted we did speak quite a bit on the subject. WE did speak about a change. We did speak about pension fund. We did speak about the reserve fund. We did speak about why we shouldn't bill ourselves.

Mr. Shibley: Yes.

Mr. Seguin: It could be ^{brief}abbreviated that way, ^{because it has} ~~They could~~ ~~take~~ only half an hour, but we certainly...

H-545-1 follows



June 19/73
5.00 to 5.05 pm
DT

(Mr. Seguin)

~~speaking about the reserve fund and we did speak about why we shouldn't build ourselves. - It couldn't be that way because it took only half an hour but we certainly raised covered an awful lot of~~
questions.

Mr. Shibley: Had you been sent the June 23 memorandum before the meeting?

Mr. Seguin: No. ~~Ma~~ I saw it but I....

Mr. Shibley: I see. Now then on the occasion of that meeting then Mr. Nastich was in attendance, is that correct?

Mr. Seguin: Yes.

Mr. Shibley: Did he raise with you and was there any discussion at that meeting respecting the adoption of a lease-purchase approach as opposed to funding your own building?

Mr. Seguin: Yes, that was when the other questions came up, the pension fund and the reserve fund and why we shouldn't use them.

Mr. Shibley: Yes, did he also raise with you and was it discussed the matter of pro-rating the proposals advanced by the four developers who were competing?

Mr. Seguin: Yes.

Mr. Shibley: And what, if any, comments were made by you in that connection?

Mr. Seguin: Well, I didn't make maybe any comments on it but from what I could see on page 4 of the document, if I can get a building for \$34.00 a square foot paying 46¢ more than the next one, I think it is a better building and that is my opinion of it.

Mr. Shibley: You realized at the time, Mr. Seguin, or did you, that the other three parties who were making proposals were considered responsible developers?

Mr. Seguin: I'll tell you the truth. I didn't know any of them.

Mr. Shibley: You didn't know any of them?

Mr. Seguin: I knew the name Ellis-Don because I had

June 19/73
5.00 to 5.05 pm
DT

(Mr. Seguin)

seen it on some buildings being built in Toronto. The other ones, I had no idea who they were and still I don't know any of them.

Mr. Shibley: Have you ever met Mr. Moog?

Mr. Seguin: No, but I know he is sitting behind me and I was told he was sitting behind me but I looked around and I didn't recognize him because I had my newspaper glasses on.

Mr. Shibley: Have you ever had any dealings with or communication with Mr. Moog ^(of his) or any ~~other~~ personnel

Mr. Seguin: Never, and I didn't know that Canada Square existed until...

Mr. Shibley: Until this ~~xxxxxx~~ transaction.

Mr. Seguin: Until this transaction.

Mr. Shibley: I see. Now, then, Mr. Seguin, were you at the July 19 meeting?

Mr. Seguin: No, I wasn't.

Mr. Shibley: You were not at the meeting which approved...

Mr. Seguin: No, but I got a short resumé at the next meeting of what had transpired.

Mr. Shibley: Yes, in that connection who provided you with a resumé?

Mr. Seguin: Well, I sit with Mr. Danis ~~and~~ in the same room and sometimes, very often, we do go in the chairman's room prior to the meeting and we go through previous agendas or minutes of meetings to see how it proceeded and what action should be taken.

Mr. Shibley: Can I ^{take} ~~take~~ it, Mr. Seguin, though, that your only contribution in terms of attending meetings to the decision making process for this contract was at the meeting of July 12?

Mr. Seguin: You are right, yes.

Mr. Shibley: Now, then, Mr. Seguin, following July 19, you received a communication in writing from Mr. Smith of Ellis-Don, is that ~~xxxx~~ correct?

June 19/73
5.00 to 5.05 pm
DT

Mr. Seguin: Yes, it is correct.

Mr. Shibley: And did you raise the subject of that communication at a subsequent ~~meeting~~ commission meeting?

Mr. Seguin: No. I raised it at the next meeting I attended which was - not at the meeting, I am sorry - at the next morning of a meeting of September 1 in the chairman's room before all ~~the~~ commissioners were attending but did not mention the name of the contractor, because the letter was personal and confidential and I didn't think it should be divulged, but I asked for certain information as to the tenure of the letter.

Mr. Shibley: All right. I would like to produce to you now the letter - a letter dated August 21, 1972, on the letterhead of Ellis-Don Limited directed to yourself at Ottawa and.

(H-546 to follow)



June 19/73
5:05-5:10 pm
PLG

(Mr. Shibley)

21, 1972 on the letterhead of Ellis Don Limited, directed to yourself at Ottawa and signed by Mr. D. J. Smith.

Mr. Chairman: That will be Exhibit 169. I presume you have made duplicates.

Mr. ~~Shib~~ Shibley: Yes. Before we deal with the letter proper, had you ever known Mr. Smith prior to receiving this letter?

Mr. Seguin: Never.

Mr. Shibley: Have you met him to this day?

Mr. ~~Se~~ Seguin: Never.

Mr. Shibley: Do you have any idea why he should ~~say~~ single you out?

Mr. Seguin: Yes.

Mr. Shibley: What was the reason?

Mr. Seguin: I was called by a member of the ~~Task~~ Task Force, asking me if I would meet or talk to a Mr. Smith of Ellis-Don, and I said no.

Mr. Shibley: I see.

Mr. Seguin: I said if he wants to talk to the Commission or to a commissioner for the Commission, he should meet with the Commission or write the secretary.

Mr. Shibley: I see.

Mr. Seguin: And his answer, well, he will write to you personally. I can't stop that.

Mr. Shibley: All right. But to this day you have never met the man?

Mr. Seguin: No.

Mr. Shibley: Now then, he starts off by saying; "Last January ~~we~~ we were requested by Ontario Hydro to submit a proposal for the construction and management of a head office building for the Commission. I believe it was on the 10th day of January that we were asked to submit the proposal and it was due on the 24th of January. Verbally we were given a specification quota on it and we were told not to work too hard on the proposal, which led us to believe that it was somewhat of an exploratory

June 19/73
5:05-5:10 pm
PLG

(Mr. Shibley)

nature. We were asked to quote rates on interest, management charges, and building costs."

Just stopping there Mr. Seguin, when you raised it at the meeting in the Chairman's office in early September, did you make inquiry as to why this developer was asked to tender as late as the 10th of January and to have it submitted on the 24th?

Mr. Seguin: Yes I did ask that, so that everybody was in the same position.

Mr. Shibley: Including Canada Square?

Mr. Seguin: Yes.

Mr. Shibley: Pardon?

Mr. Seguin: Yes.

Mr. Shibley: So that so far as you were concerned, when you raised this complaint you were advised that all four were in exactly the same position at the time?

Mr. Seguin: Right.

Mr. Shibley: And also as to the material that had been provided to them?

Mr. Seguin: That is right.

Mr. Shibley: Who was at that meeting with the Chairman?

Mr. Seguin: Well there was ~~only~~ the Chairman.

Mr. Shibley: Just the Chairman and yourself. No one else?

Mr. Seguin: No, the other commissioners were there.

Mr. Shibley: The Chairman -- what other commissioners?

Mr. Seguin: Well, Mr. Danis, Dr. Fleming and Mr. Evans, I think. And I think Colonel Kennedy was there too.

Mr. Shibley: I see, so now was this a get together at your instance?

Mr. Seguin: I couldn't say. Sometimes, as I say, it could have been that I asked for the meeting at 9 o'clock. It could have been that the Chairman asked ~~that~~ us to meet in his room and I know I brought up the latter that morning.

Mr. Shibley: Was the meeting for the specific purpose of considering this complaint?

Mr. Seguin: I couldn't tell you.

June 19/73
5:05-5:10 pm
PLG

Mr. Shibley: You can't say.

Mr. Seguin: But I know that I ~~have~~ made it a point to present it at that point that morning.

Mr. Shibley: You had the letter in your possession at that time?

Mr. Seguin: Right.

Mr. Shibley: Did you show it to the Commissioner that you have mentioned?

Mr. Seguin: No.

Mr. Shibley: You did not. You mentioned its content?

Mr. Seguin: No. Not entirely.

Mr. Shibley: Not entirely.

Mr. Seguin: No.

Mr. Shibley: Well that is why I'd like to go through it with you. You first asked then about the timing that this man had, ~~and~~ this contractor had, and you were told that all persons were treated equally. Is that correct?

Mr. Seguin: Right.

Mr. Shibley: Then the...

Mr. Seguin: May I interrupt here? Subsequently though I brought ^{up} some of these points up at a meeting. I don't ~~now~~ want to put all the blame on the Chairman of answering this and it was confirmed by executive staff that what I will be answering you.

Mr. Shibley: So now, let's identify these people. Who confirmed...

Mr. Seguin: Well ordinarily the General Manager, the Manager of Services,...

Mr. Shibley: That is Mr. Gordon, Mr. Sissons...

Mr. Seguin: ~~Mr.~~ Sissons, Mr. Ireland, Mr. Nastich, Mr. Smith and Mr...

Mr. ~~Benwick~~ Benwick: Candy?

Mr. Seguin: No. Mr. Candy I have never met except this morning.

H 546-4

Ju-ne 19/73
5:05-5:10 pm
PLG

Mr. Shibley: I see.

Mr. Seguin: Mr. Russell.

Mr. Shibley: Mr. Russell. So that what you are going to tell us in terms of information provided to you at this meeting with commissioners was later confirmed by the members of the staff that you mentioned?

Mr. Seguin: Right.

~~Mr. Shibley: The letter goes on, "Verbally ~~xxxx~~ we ~~xx~~
were given a specification to quote on."
Did you~~

Tape H 547 follows

June 19/73
5:10 - 5:15 pm.
M.S.

(Mr. Shibley)

the staff that you've mentioned.

~~Mr. Seguin: Right.~~

Mr. Shibley: All right. The letter goes on:
"Verbally, we were given a specification to quote on". Did you raise that with them?

Mr. Seguin: Yes, I did. I asked if it was true that there was a verbal specification or if something had been given in writing.

Mr. Shibley: Yes; and what was the information?

Mr. Seguin: The information was that everybody was treated the same way.

Mr. Shibley: I see. And it goes on: "...we were told not to work too hard on the proposal, which led us ..."
~~*****~~ We'll just leave it at that.

Mr. Seguin: Well, that I ~~didn't~~ didn't ask them.

Mr. Shibley: You didn't ask about that? "We were asked to quote rates on interest, management charges and building costs." Did you raise that?

Mr. Seguin: Well, no, because it came out, I would imagine, from the specifications.

Mr. Shibley: All right. "While we were putting together our proposal, I checked with Ontario Hydro as the circumstances did seem odd and I asked if we would be getting a fair appraisal when the proposals were all in. I was assured that we would." Was that a topic for discussion among the members of the Commission in early September?

Mr. Seguin: Well, I put up the question "was everybody treated the same way?" and I was told yes.

Mr. Shibley: Well, didn't you enquire further as to the phrase "the circumstances did seem odd and I asked if we would be getting a fair appraisal"?

Mr. Seguin: No, I did not.

June 19/73
5:10 - 5:15 pm.
M.S.

Mr. Shibley: ~~Mr.~~ You didn't pursue it further?

You were relying on the general representation that all four
(dealt with)
contractors were ~~the same way~~ the same way.

Mr. Seguin: Had been treated the same way.

Mr. Shibley: All right. "At the time, I thought
it would be extremely difficult to quote on a building when we only
had a verbal specification to quote. So we submitted our ~~per~~
proposal based on various prices per square foot for an office
building and we offered to let Ontario Hydro audit our books
during construction to make sure they received full value for
the money spent." Was that any part of your discussion?

Mr. Seguin: No.

Mr. Shibley: "It would be quite easy for a
developer or contractor to tell the Hydro he was building a
\$30^{per}/sq.ft. building when, in fact, because of his expertise, he
would be able to build a building for \$27^{per}/sq.ft. This would
create a large cash flow benefit to the developer. That is why
we quoted in the manner in which we did." Now, Mr. Seguin, was
this a matter for ~~any~~

Mr. Seguin: Not at the September ^(meeting) ~~meeting~~. But that was
brought up by me ~~at~~ the July 12 meeting as to which way they
intended to control the cost of the building. And I was satisfied
with the reply given to me.

Mr. Shibley: What was the reply given to you?

Mr. Seguin: Well, the reply was that we were to
follow it and ~~they~~ were employing also a firm to check on every
item being incorporated into the building.

Mr. Shibley: And it did not form any part of your
further discussions? ~~---~~

Mr. Seguin: Not on this, no.

Mr. Shibley: I see. Did you make any enquiry or
were you provided with any information that Ellis-Don had quoted
figures materially less?

June 19/73
5:10 - 5:15 pm.
M.S.

Mr. Seguin: Well, ~~and~~ those ~~we~~ we had ~~the same~~ ^{seen?}
on July 12.

Mr. Shibley: Yes. You were aware that Ellis-Don
had made a proposal?

Mr. Seguin: Ah, you mean the proposal here of
a building of different prices?

Mr. Shibley: Yes.

Mr. Seguin: No. I wasn't aware until I got this.

Mr. Shibley: I see. So, the first time you were
aware that Ellis-Don has quoted on the basis of a \$26 building, in
the first instance, was when you got this document?

Mr. Seguin: Yes, but it wasn't in this document.
It was from their document which they sent Hydro, which was
enclosed ~~←~~

Mr. Genest: \$26 isn't mentioned here, Mr. Shibley.

Mr. Shibley: I'm sorry. When did you first
ascertain that the initial submission by Ellis-Don ~~←~~

Mr. Seguin: Well, when it was sent to me with
this letter.

Mr. Shibley: He sent you that submission? That's
the point. He sent the submission along with you.

Mr. Seguin: Right.

Mr. Shibley: Did it not raise questions in your
mind, and did you not in turn raise questions with the other
commissioners respecting the disparity in quotations?

Mr. Seguin: No, it did not because I am still
of the opinion, as I ^{have} replied to you, that Hydro should have a
~~building of some~~

Tape H 548 follows

June 19, 1973
5.15 - 5.20 p.m.
M.R.

(Mr. Seguin)

~~No it did not because I am still of the opinion as~~
~~I replied to you that Hyde should have a Building of some~~ ^{Building}
prestige.

Mr. Shibley: Yes.

Mr. Seguin: And I thought that the more money we could spend, not a luxurious building but a prestige building facing Queen's Park that we should take it.

Mr. Shibley: Mr. Seguin, the proposal which is Exhibit 57, dated February 2nd, 1972, makes reference to the fact that there could be some doubt in your mind that you could be told you were getting a \$28 per square foot building when in reality you might be getting a building that only cost \$26. Were you not impressed with the fact that this contractor was talking in terms of cost per square foot materially less than \$34?

Mr. Seguin: Well, this letter I haven't got.

Mr. Shibley: Well, it's the ~~and~~

Mr. Seguin: The thrust of it I have.

Mr. G. Hodgson: It's ~~the output~~ here, isn't it?

Mr. Seguin: The rest of it I have. It quotes \$22, \$24, \$26. That I have. And I didn't question it.

Mr. Shibley: You did not question it?

Mr. Seguin: No.

Mr. Shibley: And no comments were volunteered to you?

Mr. Seguin: No.

Mr. Shibley: All right. Let's go on with Mr. Smith's letter to you of August 21. Page 2 at the top: "The proposal was due on January 24th, as I mentioned, and during the second week in February I heard rumours that Canada Square Development Company had already done work on elevations and plans for the building."

Now, you were being told that they were all ~~being~~ treated equally.

Mr. Seguin: Yes.

June 19, 1973
5.15 - 5.20 p.m.
M.R.

Mr. Shibley:

Did you not ask the other commissioners whether in fact Canada Square had a head start respecting plans?

Mr. Seguin: I did not ask the other commissioners because they didn't know any more than I did.

But I did ask the executive staff and the answer was no.

Mr. Shibley: You asked the executive staff whether Canada Square ~~was~~ had been provided *with plans*

Mr. Seguin: With plans.

Mr. Shibley: *and* the answer was no?

Mr. Seguin: No.

Mr. Shibley: Who in particular on the staff of Hydro did you ask?

Mr. Seguin: I couldn't tell you.

Mr. Shibley: All right.

Mr. Seguin: They sit across the table and one answered ^S and that's it.

Mr. Shibley: Then the letter goes on: "During the months of February I did my best to find out what was going on about the job and I was told there was no decision and that no one knew anything about it. In the next few months I heard rumours that there were three people being considered and our firm had submitted the best proposal. In the early part of July I again heard rumours that Canada Square were doing detailed drawings and working very closely with the chief architect for Ontario Hydro."

"I subsequently had a meeting with Mr. Gathercole and was told that it did appear that the job might go to Canada Square".

Mr. Seguin, did this communication not alert you to the opinion of Mr. Smith that Canada Square was being preferred in terms of communications with Mr. Candy and other members of the staff of Hydro?

June 19, 1973
5.15 - 5.20 p.m.
M.R.

Mr. Seguin: *It* did, but it was denied all along until I have been reading the evidence from here.

Mr. Shibley: Yes. Are you telling us that what you were being told by members of the staff of Hydro, ~~was~~ in terms of their communications with Mr. Moog and Canada Square, was in contradiction to what you now know by reason of the evidence before this hearing?

Mr. Seguin: Right.

Mr. Shibley: Is that correct?

Mr. Seguin: Right.

Mr. Shibley: Now ~~and~~

Mr. Seguin: At all times we were told that they were all treated the same way.

Mr. Shibley: I see. And you weren't aware that Mr. Candy had meetings with Mr. Moog and his *staff* ~~and~~

Mr. Seguin: Never.

Mr. Shibley: ~~and~~ during the summer of 1971? When you asked about this you were not told about it?

Mr. Seguin: I was told that everybody was considered on the same footing.

Mr. Shibley: And provided with the same material?

Mr. Seguin: Yes, and provided with the same material but that some - let me say that for the ~~most~~ *most* - that some of them were more ~~alert~~ alert than others and therefore ~~to~~ did ~~the~~ their homework.

Mr. Shibley: I see. It was put to you on the basis that some developers had done their homework better than others?

~~Mr. Seguin: Yes. But I didn't give any answer on those days.~~

~~Mr. Shibley: I see. When the latter was given~~

June 19/73
5.20 - 5.25 p.m.
R.E.S.

H-549 - 1

~~(Mr. Shibley)~~

~~...done their homework better than others.~~

Mr. Seguin: Yes, but ~~they~~⁵ didn't ~~give~~⁸ any names
~~in~~ in those days.

Mr. Shibley: I see. The letter goes on: "I talked to Mr. Rotenberg, the President of Y and R ~~Properties~~^{Properties}, who is a very reputable developer. He asked me if I had heard anything on the Hydro job, and I said ~~there~~^{there} had been nothing definite. He had also heard nothing ~~definite~~^{definite}. It seems like a ~~possible~~^{possible} way to call tenders when you are only given a verbal specification ~~to~~ to ~~quote~~ on on such a large project. It seems as if one ..."

Well, just stopping there, did you make any ~~enquiries~~^{inquiries} as to whether these developers were asked to rely upon verbal specifications only?

Mr. Seguin: I think I did ask that and I ~~was~~ was told yes.

Mr. Shibley: That they were asked to rely upon verbal specifications? Did that not excite some anxiety on your part?

Mr. Seguin: ~~Not~~^{Not} necessarily because with developers it's not exactly the same thing as ~~when~~^{if} you call contractors. You put up the idea to them and let them present what ~~the~~ they ~~have~~ have to develop.

Mr. Shibley: And you were satisfied that the ideas were submitted to them ...

Mr. Seguin: ~~Oh~~^{Oh}, just a minute. I didn't say I was satisfied ~~that~~^{that} the ideas they gave them. I have never seen or never heard them, so ...

Mr. Shibley: I see. You were never provided with the specifications, oral or in ~~writing~~^{writing} ...

Mr. ~~Seguin~~ Seguin: ~~NO~~ NO.

Mr. Shibley: .. that were given to these developers?

Mr. Seguin: Never.

Mr. Shibley: I see. Then it goes ~~on~~ on; "it seems

June 19/73
5.20 - 525. p.m.
R.E.S.

H-549 - 2

(Mr. Shibley)

as if *one person had the inside track, ~~was~~ whereas none of the other people knew what was going on."

Now, what answer did the commissioners and the staff give you in that connection?

Mr. Seguin: Well, the commissioners, again, as I ^{said} ~~say~~, they didn't know anything more than I did. The staff -- this matter was not taken as a letter, first of all, because I didn't ~~take~~ ^{bring} it out of my pocket at the meeting.

Mr. Shibley: Yes.

Mr. Seguin: I asked certain questions and I was told that ~~everybody~~ ^{everybody} was treated the same way, ~~and everybody~~ got verbal instructions and specifications.

Mr. Shibley: Yes. Mr. Gathercole was at that meeting.

Mr. Seguin: Yes.

Mr. Shibley: Did he remain silent or ~~did he~~ was he the person who was making these observations to you that everyone ~~had~~ had been treated the same?

Mr. Seguin: I couldn't tell you.

Mr. Shibley: You ^{don't} ~~don't~~ know whether he actively ...

Mr. Seguin: He may have made some observations, he may not; I couldn't tell you.

^{Mr.} Mr. Shibley: In any event, whoever made those observations to you, he did not contradict them?

Mr. Seguin: No, he did not.

^{Mr. Shibley} Mr. Shibley: And later on you say you discussed it with staff and they were uniform, were they, in telling you that ..

Mr. Seguin: Well, yes, because we didn't learn anything more. We didn't learn that ^{Canada} ~~Canada~~ ~~Square~~ Square was being preferred that day, nor did we learn that any others were ~~submitted~~ submitting tenders.

^{Mr. Shibley} Mr. Shibley: When did you first ascertain that Mr. ~~Moore~~ ^{Moore} was ~~was~~ a friend of Premier Davis?

Mr. Seguin: When I first ascertained through the

June 19/73
5.20 - 5.25 p.m.
R.E.S.

H-549 - 3

(Mr. Seguin)

Globe and Mail.

Mr. Shibley: I see. So that it could have ~~had~~ had no effect whatsoever ~~as far~~ so far as your deliberations were concerned?

Mr. Seguin: None.

Mr. Shibley: Oh. Now then, going on with the letter; "When we were asked to quote on this project, we had every senior person in the company working on it; we even did a lot of work on the financing, and so on, after the proposal had been sent in. And it is very disappointing, if true, if we had no chance to be successful ~~and~~ right from the beginning."

Now, Mr. Seguin, ~~did~~ did you enquire as to what transpired within the staff of Hydro during the period subsequent to January 24, 1972, when the contractors were making their submissions and the time of the commission decision on July 19, 1972?

Mr. Seguin: Well, I certainly did. That was the result of Mr. Gordon's memo of October 3 there. But I wanted to know, to be sure ~~that~~ they were ~~going~~ going ^{on} the right track.

Mr. Shibley: Yes, but that was after the event ~~after~~ the ...

Mr. Seguin: Well, this is after the event too. This is August 21.

Mr. Shibley: I realize that. And what response did you get to your ~~enquiries~~ enquiries as to what had taken place between the time the submissions had taken place by the four developers and the time of the commission decision?

Mr. Seguin: Well, I repeat again that we were told some developers had done their ^{homework} ~~own~~ work and others had not.

Mr. Shibley: Were you given a copy of the rationale that was ~~submitted~~ ~~on October 3~~ ...

Mr. Seguin: ~~On~~ the 3rd.

June 19/73
5.20 - 5.25 p.m.
R.E.S.

H-549 - 3

Mr. Shibley: .. of October?

Mr. Seguin: I guess I was, but I don't remember reading it.

Mr. Shibley: I see.

Mr. Seguin: I know I have one now, but I ...

Mr. Shibley: You don't know whether you got one at that time?

Mr. Seguin: I don't know. Was it given as a minute or what?

Mr. Genest: I don't know. I know I've seen it since.

~~Mr. Shibley: I don't know. Did you subsequently ...~~

(Tape H-550 - 1 follows)

~~(Mr. Seguin)~~

~~I am not sure.~~

Mr. Shibley: All right. Did you subsequently satisfy yourself upon the question whether the three developers other than Canada Square were, in fact, given a chance to be successful?

Mr. Seguin: What do you mean subsequently — since the inquiry, or before, or what?

Mr. Shibley: Let's start now. Have you been following these proceedings?

Mr. Seguin: Yes. Every night I stay up until 11:30 reading it. ~~Mr. Shibley~~ In fact, I am going to send that solicitor counsel.

Mr. Chairman: I hope you've been ~~not~~ reading the transcript rather than the newspapers.

Mr. Seguin: I have no comments on that.

Mr. Shibley: Has it been transcript that you have been redding?

Mr. Seguin: Yes.

Mr. Shibley: So you are literally briefed word for word.

Mr. Seguin: Except, I think my wife told me that I got a batch this big yesterday at home which I haven't read because I wasn't there I was on my way here.

Mr. Shibley: I understand.
could

Mr. Chairman: You ~~are~~ hardly wait to get home.

Mr. Seguin: Exactly.

Mr. Shibley: Well, I'm not going to ask you the question which would usurp the function of this committee, namely what is your opinion in that respect, Mr. Seguin. What I do want to ask you — I take it that a great deal of the evidence that has been tendered before this committee ^{and which} would have impinged upon your consideration as to who should be the developer for this project, was not known to you as at July 12, 1972.

June 19, 1973
5:25 - 5:30 pm
JLP

Mr. Sequin: Yes, definitely, but that doesn't mean that the developer that got it wouldn't have got it. But there ~~were~~^{were} an awful lot of memos ~~on~~ that building which we didn't see, because we are up to one hundred and some ~~—~~¹⁶⁰ ~~—~~ some?

Mr. Shibley: Yes.

Mr. Sequin: And most of them we had never seen.

Mr. Shibley: Do you consider those memoranda material to the ~~the~~ deliberations of the committee?

Mr. Sequin: I don't think so because I'll tell you, during the war, I ~~was~~^{spent} six years in the war and ~~four~~ for four years of that I was in army estimates, in Mr. Ralston's private, general-staff section. And we were ~~planning about~~^{putting out} millions of them and we certainly didn't go through every estimate, we took what our staff gave us.

Since then, I ~~was~~^{spent 12} ~~three~~^{as} years chairman, off and on, of the Separate School Board in Ottawa, during ~~which~~^{that} time we gave out \$14 million worth of schools; I certainly didn't go into details either.

Now, I'm still chairman of the University of Ottawa, and since we ~~have~~ become a provincial university in 1965, we've given out \$60 million worth of contracts and I certainly don't go into details ~~there~~ either.

If my staff doesn't do ~~their~~^{their} own work, I fire them or I reprimand them, whatever is necessary.

Mr. Shibley: And if their recommendations are ill-founded,

Mr. Sequin: That's different. If there's a ~~kickback~~^{kickback} and I get recommendations to the contrary, then I do inquire and see what went wrong.

Mr. Shibley: You mean if there's a complaint, just to make the record clear.

Mr. Sequin: That's my friends,

Mr. Genest: A French expression.

Mr. Sequin: Maybe I should ~~ask~~^{use you} for a translator.

Mr. Shibley: I just wanted to cut the ice in the air that you had created. All right, let's return to Mr. Smith's letter, Mr. Sequin.

June 19, 1973
5:25 - 5:30 pm
JLP

(Mr. Shibley)

"In the first six months of this year we have tendered on over \$100 million worth of work, not including the Hydro project. We ~~had~~^{have} been successful on \$30 million worth, and we ~~had~~^{have} been second on another \$30 million worth, so we are used to winning or losing provided we know the rules.

"If we ~~lost~~^{lost} the job fair and square, we are quite willing to accept this, but we have just found it very difficult to find out any more than the fact that our chances don't look too good."

Now just stopping there, Mr. Seguin. You notice from that phraseology that Mr. Smith even as at August 21, 1972, does not appear to be aware of the fact that he is not in the running on that day.

Mr. Seguin: That he is not in the fact what?

Mr. Shibley: As late as August 21, he was not aware that he wasn't in contention.

~~Mr. Seguin: Well, he probably is right, I don't know when we brought it out in public~~

(Tape H 551 follows)

H-551-1

~~Mr. Shibley: As late as August 2, he wasn't aware that he wasn't in contention?~~

Mr. Seguin: Well I think he probably is right. I don't know when we brought it out in public that Canada Square had the thing because we wanted to look ^{into} the contract itself with Mr. McCallum protecting our interests. It could be.

Mr. Walker: He indicates earlier that he had met with Mr. Gathercole and ^{been} told that it did ~~not~~ appear the job might go to Canada Square. So that must have clued him in on something.

Mr. Shibley: Yes, he does say that. But I gather from this letter that he was not yet told that a decision had been made?

Mr. Seguin: I couldn't tell you.

Mr. Shibley: Did you not make any inquiry as to why the other developers had not been yet notified of the decision of the commission?

Mr. Seguin: Frankly I missed that point.

Mr. Shibley: All right. Then he sums up;
"I appreciate the opportunity of writing to you, and I would further appreciate your opinions on the proposal. I am enclosing a copy of our own proposal and I would appreciate your returning it as it is one of two remaining that I have".

Now did you respond to Mr. Smith's letter?

Mr. Seguin: Not through him; through the task force member.

Mr. Shibley: I see. Who was that?

Mr. Seguin: Dean Richard Dillon.

Mr. Shibley: Yes.

Mr. Seguin: Whom I met about subsequently maybe two or three weeks on the task force matter with the task force.

Mr. Shibley: Yes.

Mr. Seguin: And he asked me if I had responded or answered or called, and I said "no". I said "I have told you before. If he wants the opinion of the board on this matter tell him to write the secretary of the board". And that was my final comment.

Mr. Shibley: Has Mr. Dillon any connection with Ellis-Don?

Mr. Seguin: He was the dean of engineering at McMaster?

Mr. Genest: Western.

H-551-2

Mr. Seguin: Western.

Mr. Shibley: I see.

Mr. Seguin: And he was on the task force.

Mr. Shibley: And do you know whether Mr. Dillon followed through in communicating with Mr. Smith?

Mr. Seguin: No, I never spoke to Dillon about this matter since. I have spoken to him since, but not on this.

Mr. Bullbrook: I want to clarify something if I may, Mr. Chairman.

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: In the shaking of the head, Mr. Seguin. The question was, and if you would help me Mr. Shibley, about any relationship between Dillon and Ellis-Don?

Mr. Shibley: Yes.

Mr. Bullbrook: There was a shaking of the head.

Mr. Seguin: I said I don't know.

Mr. Bullbrook: I just want to clarify this Mr. Seguin if I may.

Mr. Seguin: I don't know.

Mr. Bullbrook: He was the dean of engineering at Western?

Mr. Seguin: At Western.

Mr. Bullbrook: Do you know if he still is the dean of engineering?

Mr. Seguin: No, he is employed by Ontario Hydro.

Mr. Shibley: Mr. Seguin. You know that implicit in doing the lease-purchase was the abandonment of the original plans. Is that correct?

Mr. Seguin: Mm-mm.

Mr. Shibley: Had you ever seen the original plans?

Mr. Seguin: Never.

Mr. Shibley: Do you know whether any of the commissioners had ever seen the original plans?

Mr. Seguin: I don't think so because we discussed that when the matter came up one night, I remember, and none of them had seen the original plan and none of them had even heard, except Dr. Fleming who was on the commission at the time.

H-551-3

Mr. Shibley: So that situation in July of 1972, and the decision was made to enter a lease-purchase with Canada Square was that none of the commissioners had seen the original plans, and there was no discussion, according to earlier witnesses?

Mr. Seguin: Oh yes. Oh yes. Just a minute. At that point we hadn't seen them, but it was discussed that they should be abandoned.

Mr. Shibley: I'm sorry, Mr. Seguin, I thought Mr. Evans and Colonel Kennedy said ~~that~~ ^{that} it was not discussed. It was just taken as, of course, that they would be abandoned?

Mr. Seguin: Yes.

Mr. Shibley: But it was not a matter for separate discussion?

Mr. Seguin: Oh no, it wasn't discussed.

Mr. Shibley: No.

Mr. Seguin: It was taken ~~in~~ as of course that they'd be forgotten.

Mr. Shibley: Now, Mr. Seguin, did you ever participate in any discussion with any of the commissioners of Hydro or any member of the staff of Hydro referable to the relationship ~~between~~ or friendship between Premier Davis and Mr. Moog?

Mr. Seguin: Not until it appeared in the Globe and Mail when I asked, "Is it true or is it not true" and ~~some~~ said, "I don't

H-55t2-1 follows

June 19, 1973
5.35 - 5.40 p.m.
M.R.

(Mr. Seguin)

..not until they appeared in the Globe and Mail when I asked ^{"if"} ~~it was~~ true or ^(is it) not true, ~~some~~ ^{some} said "I don't know". Some said, "Yes, it must be true," and that's it.

Mr. Shibley: Did you ever participate in or overhear any discussion or any other form of communication as to the circumstance of Mr. Moog or any of his companies being a supporter of any political party?

Mr. Seguin: Never.

Mr. Shibley: I have no further questions.

Mr. Bullbrook: ^{would} ~~will~~ you 

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: Would you favour, Mr. Shibley, in this respect: I think the ~~witnesses~~ witnesses will bear with us in that there is a great deal of repetition in what I am going to do; but I think that there has to be some consistency of evidence and, as a result, we have to have the evidence. I'd like you to - if you could - consider asking every member of the commission the following question:

Was it brought to their attention that money had been offered - some \$40 million had been offered for the purchase of the building? Both the vice-chairman's evidence and Mr. Seguin's evidence has been that they were concerned about the utilization of both ~~the~~ the stabilization fund and the pension fund.

~~And~~ ~~it~~ I think it is germane as far as we are concerned that ~~xx~~ staff never did bring to their attention, according to the first two witnesses, that money was made available.

The second thing I'd like you to question, which you did before of Mr. Seguin, was it brought to his attention that there might be some beneficial or adverse affect on ~~foreign~~ ^{foreign} exchange rates in connection with the lease-purchase agreement?

June 19, 1973
5.35 - 5.40 p.m.
M.R.

(Mr. Bullbrook)

Thirdly, I'd like you to question each commission member on whether there was any discussion as to the abandonment of plans previously begun in 1967 and completed in 1969.

The next one I'd like you to ask every commission member ^{is} whether there was any discussion subsequent to the filing of the memo from Mr. Nastich as to the resolution of his reservations in connection with the agreement.

And lastly, I'd like you to ask each commission member if there was any discussion by the commission as to the effect of maintenance costs on any of the employees of Hydro.

The reason I do that, Mr. Chairman, is that I think probably it would expedite things firstly; ~~and~~ I want to say to the commission counsel that while one recognizes the validity of Mr. Seguin's comments in connection with the expenditures of vast amounts of money, he has enunciated, for example, in his capacity as ^{Chairman} ~~Chairman~~ of the board of governors of the University of Ottawa, the expenditure of some \$60 ~~a~~million without the necessity of individual estimates.

I think it is our responsibility to look into at least those five avenues as to whether the commission is consistent in its evidence that they never discussed those five matters.

Mr. Shibley: Thank you, Mr. Bullbrook. I think some of them have been covered.

Mr. Bullbrook: I'm sorry. ^{In that case,} I apologize.

Mr. Genest: Mr. Chairman, Mr. Shibley, there is ~~an~~ ^{on the} item I think perhaps Mr. Bullbrook may have overlooked, I don't know if he has Exhibit 39, which is a memorandum of a discussion at a commission meeting of September 15, 1971, shortly after the Safrance proposals were first brought to the attention of Hydro? I wondered if you ~~...~~

June 19, 1973
5.35 - 5.40 p.m.
M.R.

Mr. Bullbrook: I probably have ~~we~~ overlooked that and I appreciate your bringing that to my attention.

Mr. Shibley: Yes, thanks Mr. Genest, that is quite correct.

Mr. Bullbrook: Would you bear with me just for a moment?

Mr. Genest: It's dated September 15, 1971.

Mr. Bullbrook: I'm right *near it* *Repe.*


Mr. Genest: Got it?

Mr. Bullbrook: Yes.

Mr. Shibley: ~~So that~~ I don't think we need to pursue that.

Mr. Bullbrook: I don't think we need to pursue that. Thank you.

Mr. Shibley: I have not, though, asked this witness whether the effect of fluctuations in foreign exchange respecting



H-553 to follow

June 19, 1973
5.40-5.45 pm
V.H.

(Mr. Shibley)

~~ask this witness whether the effect of fluctuations in~~
~~foreign exchange~~ respecting submissions by developers who
relied upon foreign sources of funds was a matter for dis-
cussion by the commission?

Mr. Seguin: Yes, it was. I don't know. Mr.
Evans would know, but he sometimes has to walk out of
the room and attends ^{to} telephones or something like that.
And I ^{d.d} with Mr. Masters, but in our case I don't think it
is too big a consideration because we borrow ~~so~~ many
hundreds millions on the foreign ^{exchange} ~~market~~ in foreign
exchange ^{that} it affects us every day.

Mr. Shibley: I might say ...

Mr. Allan: Mr. Chairman, are you not asking
the questions from another point of view? As to the
effect it may have on ...

Mr. Shibley: Yes, in a comparison....

Mr. Allan: ... in the comparison of the various
proposals.

Mr. Shibley: That's right. Thank you, Mr. Allan.
Did the commissioners ever consider this a factor
when hearing the proposals of the four developers?

Mr. Seguin: I would say no.

Mr. Shibley: Then, with respect to the July 12
meeting that you attended...

Mr. Seguin: Yes.

Mr. Shibley: ... ~~before~~ prior to that meeting on
June 29, Mr. Nastish had raised three basic areas of concern
to him and you were ^{present}

Mr. Seguin: I wasn't there.

Mr. Shibley: You were not there? Was he at the
meeting of July 12?

Mr. Seguin: I think he was. I think it was the
week after ~~that~~ that he left for his holidays.

June 19, 1973
5.40-5.45 pm
V.H.

Mr. Shibley: Mr. Genest, can you clarify whether Mr. Nastich was at the July 12 meeting?

Mr. Chairman: Mr. Genest,

Mr. Shibley: Can you ^{clarify} ~~whether~~ whether Mr. Nastich was at the July 12 meeting?

Mr. Genest: No he was not.

Mr. Shibley: So the only meeting which he attended was June 29?

Mr. Genest: That's correct. Perhaps it might be useful, I am informed by the staff of Hydro, that in respect to foreign exchange, a fund is maintained where forward purchases of foreign exchange are made which greatly reduces the risk to Hydro ^{of} ~~the~~ fluctuations in the foreign exchange. Because their dealings are so large, they engage in a forward market.

Mr. Shibley: I think it would be better to leave that ~~at the moment~~ as a topic.

Mr. Genest: Well, we will leave ^{it} ~~for~~ for Mr. ^{Nastich.} ~~Minister~~.
I withdraw that last statement right now, before I have to do it from Yellowknife.

Mr. Shibley: Are you going to wait until the second day of your testimony?

Mr. Genest: Mr. Nastich just left!

Mr. Chairman: Are there any other questions?

Mr. Shibley: Well, Mr. Bullbrook has asked me to put the question ^f whether ~~the members~~ whether you have any recollection of members of the commission considering the effect of ~~it~~ I am sorry, the effect upon Hydro employees of contracting out that area of work that was ^{covered} ~~covered~~ by the from lease purchase?

June 19, 1973
5.40-5.45 pm
v.h.

Mr. Seguin: Yes, we were told that they would be absorbed through the system.

Mr. Shibley: It was discussed?

Mr. Seguin: Yes.

Mr. Shibley: When was it discussed?

Mr. Seguin: Well, it was discussed when we discussed the maintenance part of it.

Mr. Shibley: When was that?

Mr. Seguin: Well, we have minutes of maybe two or three meetings on this building, but actually I think we have been discussing this building since ^{last} June, at every meeting, without having it on the agenda. And as I remember ~~that~~ distinctly when we talked that the maintenance could be ^{the} cheaper by ~~developer~~ ^{absorbed} than under our union rates. And that the people would be ~~absorbed~~ through the system.

Mr. Shibley: Did you ever question the adoption of the pro rata method of evaluating the four submissions?

Mr. Seguin: I wouldn't say I did question it, no.

Mr. Shibley: You never raised it as a question with others? Was it ever a question in your own mind?

Mr. Seguin: ^{No.} ~~Well~~ in my own mind I had made up my mind that the man who ~~was~~ could give me a \$34 building for 46¢ more was a better ~~building~~.

Mr. Shibley: ~~When was that?~~

H-553 follows

June 19/73

5:45 - 5:50 pm

C.B.

(Mr. Seguin)

~~for a better building.~~

Mr. Shibley: Did Mr. Candy not tell you?

Mr. Seguin: Mr. Candy, I've never seen him until today.

Mr Shibley: So you didn't have the benefit of any communications?

Mr. Seguin: Not with him.

Mr. Allan: Mr. . .

Mr. Chairman: Mr. Allan.

Mr. Allan: Do you mind if I ask Mr. Seguin if he was satisfied in his mind that the \$34 building was a better building? What information did you have that would convince you? That would convince him that it was a superior building?

Mr. Seguin: ~~Yes~~ As I mentioned before Mr. Allan we were employing a firm to follow the construction, we were having one of the architects who originally drew the plans to be employed this ~~for~~ firm to represent us and also our own staff people who have experience in construction. So we had three ways of checking on it.

Mr. ^{ALLAN} Shibley: Yes that isn't really what I mean.

Mr. Shibley: NO. What Mr Allan is asking you is this. Hydro wanted a building of a certain quality,

Mr. Seguin: Right.

Mr Shibley: Three developers had made submissions indicated that they were prepared to provide such a ~~building~~ building of that quality, at prices of \$30 per square foot or less. Is that correct?

Mr. Seguin: Yes.

June 19/73

5:45 - 5:50 pm

C.B.

Mr. Shibley: Why did you presume that it was necessary to spend \$34 per square foot to get a building of the quality in question? When three developers were saying it could be done for less?

Mr. Seguin: Well I have a little knowledge about construction. I have built apartment buildings, I have built office buildings and I know the more you spend the better the building. Now nobody is going to tell me today that this building is going to cost \$24 or \$20 or \$40 until it's finished. It is only when it's finished that we will be able to evaluate it.

Mr. Shibley: Have you read the contract?

Mr. Seguin: After it was signed, yes, not before.

Mr. Shibley: You know that it talks about an appraised value?

Mr. Seguin: Right.

Mr. Shibley: Do you understand what that ~~can~~ term means?

Mr. Seguin: Yes I do.

Mr. Shibley: What do you understand that that phrase means.

Mr. Seguin: An ~~approximate~~ appraised value, what the value of that date plus rentals plus everything else.

Mr. Shibley: What I'd like to know is this
Mr. Seguin. Is it the understanding of the commission? You've read Mr Candy's explanation of what ...

Mr. Seguin: Yes.

Mr. Shibley: ...he believes to be the basis of computation of appraised values. You've read that in the

June 19/73

5:45 - 5:50 pm

C.B

(Mr. Shibley)

transcript have you?

Mr. Seguin: Yes.

Mr. Shibley: Is that the understanding upon which the commission entered into that transaction?

Mr. Seguin: I couldn't tell you because I've never seen the contract until it was signed. After it was signed. I never got a copy of the contract until after it was signed.

Mr. Shibley: You mean the contract itself was never tabled with the commission,....

Seguin.

Mr. Shibley: ~~Yes~~ No.

Mr. Shibley:~~Yes~~ for review paragraph by paragraph before it was approved. It was not.

Mr. Seguin: NO.

Mr. Shibley: Well who had responsibility for settling its terms?

Mr. Seguin: The chairman of the board.

Mr. Shibley: Mr. Gathercole?

Mr. Seguin: Yes.

Mr. Shibley: And the commission simply gave him carte blanche authority to approve the form of the document?

Mr. Seguin: Together with Mr. McCallum who was representing us.

Mr. Shibley: Yes. Was it explained to you however, in terms of the commission approving of the agreement that at the conclusion of ~~the~~ construction there would be a costing of that building taken off?

Mr. Seguin: It was not explained before the contract was signed because we had never seen it. It was explained after. I read it so I saw what was in it.

Mr. Shibley: ~~Mr~~ Mr. Seguin, I'd like to understand this. Are you telling me that the provision

Jun 19/73

5:45-5:50 pm

C.B.

(Mr. Shibley)

for the reduction⁰₄ of rent, based upon the cost of the building being less than \$34 per square foot was not a matter for consideration by the commission.

Mr. Seguin: No, it was left to Mr. McCallum.

Mr. Shibley: And it was never raised as an item with the commission?

Mr. Seguin: No.

Mr. Shibley: You didn't know of it until after the document was executed. Is that correct?

Mr. Seguin: Right.

Mr. Chairman: Any other questions?

Mr. Walker: Just one...

Mr. Chairman: Mr. Walker.


Mr. Walker: Do you review clause by clause your contracts that have been involved in the \$60 million you quoted with the University of Ottawa?

Mr. Seguin: No I don't because we have a solicitor doing that. I know the form though because I've read the ~~Max Walker's~~ first form and been using the same form since.

Mr. Walker: Have you had experience in lease-purchase arrangements?

~~Mr. Seguin: Personally no, but my firm has had. We are a presentable corporation in Ottawa.~~

H555 to follow



June 19/73
5.50 to 5.55 pm
fvk

R R

(Mr. Walker)

~~experience in lease-purchase arrangements?~~

Mr. Seguin: Personally no, but my firm is in it. We represent ^{CAMPBELL} ~~counsel for~~ a corporation in Ottawa.

Mr. Walker: It's just a small organization?

Mr. Seguin: Just a small one.

Mr. Genest: I wonder if I might make a point here, Mr. Chairman. One of the meetings of the commission at which the contract was considered - this will be given in evidence by Mr. McCallum - was a meeting of October 26, 1972, and I don't believe Mr. Seguin was present at that meeting. He's not shown in the minutes as being present. I think his evidence should be regarded in that light.

Mr. Chairman: The bells are ringing, Mr. Renwick. Do you have many questions to ask?

Mr. Renwick: The bells just started?

Mr. Chairman: No, they've been ringing for about 20 minutes, five, ~~ten~~ 10, 15 minutes.

An hon. member: Half an hour.

Mr. Renwick: If last night is any example we won't be voting until a quarter after six.

Mr. Chairman: Have you had a message?

An hon. member: Yes, sir.

Mr. Chairman: What was the message? You might check again, you carry on anyway, Mr. Renwick. I'd think we'd like to finish with Mr. Seguin before we go up to vote. I think he has to get away as well.

Mr. Renwick: I realize the problem but I want to be satisfied on a number of matters. Perhaps some other ~~sex~~ occasion would be more convenient, Mr. Speaker. I don't want to inconvenience him but I don't want the ~~sex~~ bells to determine the questioning.

Mr. Chairman: It will be a lengthy questioning, eh?

Mr. Shibley: Mr. Seguin, what time are you due to leave tonight? You mentioned nine o'clock to me. You mentioned

June 19/73
5.50 to 5.55 pm
fvk

(Mr. Shibley)

earlier you had to get away by nine?

Mr. Seguin: Yes.

Mr. Shibley: Can you be back here at eight and continue until nine if necessary?

Mr. Seguin: Oh sure.

Mr. Shibley: All right. Then there is no problem.

Mr. Renwick: Mr. Seguin, I take ~~that this~~^{it} that when Mr. Smith arrived and you arranged to have this informal meeting with your fellow commissioners and members of the staff, that your basic concern, and I think this was repeated during the course of your testimony, was to be satisfied that all of the persons that had submitted proposals had been treated equally.

Mr. Seguin: Right.

Mr. Renwick: Now, I also take it that in the light of what has taken place at this committee ~~is said~~ in the evidence which you have read that you have a very real question in your mind as to whether the information which you were given at the meeting on September 1 could have been given in response to your questions?

Mr. Seguin: Do you mean that they were treated equally or not?

Mr. Renwick: I want to be extremely fair because I don't - extremely fair about this. I'm not imputing any intention on the part of the members of the staff of Hydro to ~~deceive~~^{deceive} you at the meeting of September 1. But I take it that objectively you have a very real question in your mind as to how they could have given you the ~~same~~ answers on September 1 in the light of the evidence which has come out before this committee.

Mr. Seguin: Yes. Since then I've had my doubts ~~but~~ that somebody had been preferred, there's no doubt, that had been given more information than others.

Mr. Renwick: So I take it that in the light of what you now know that you consider that Mr. Smith's complaint was a justifiable complaint in the circumstances?

June 19/73
5.50 to 5.55 pm
fvk

~~Max~~ Mr. Seguin: Yes.

Mr. Renwick: So far as the origin of the complaint, had you had connection with the task force Hydro before you received the communication from Mr. Dillon? I'm curious as to how he chose you to call.

Mr. Seguin: I'll tell you in my curriculum vitae there I was for four years in the Ontario Committee on Confederation and Mr. Dillon was one of the members. He knew me very well.

(Tape H-556 follows)

June 19, 1973
5.55-6.00 p.m.
M.F.

H- 556 - 1

(Mr. Seguin)

four years and in the Ontario committee of confederation,
and Mr. Dillon was one of the members who knew me very well ^{it} and ~~that~~ may be as a result of that that he asked me, that he asked ~~me~~ him to write to me.

Mr. Renwick: So I take it that he had already suggested to Mr. Smith that he write to you about this matter?

Mr. Seguin: I don't know if he had already when he called me; but I know when he called me he asked me if I would meet him and I said no.

Mr. Renwick: Now to clear up one other matter, Mr. Seguin; you will recall that when Mr. Gathercole was giving his evidence that he indicated that he thought that someone had referred to Mr. Moog and that he thought it was you. Now I understand that it was not you. Have you any ~~idea~~ idea at all as to what would have brought that matter to Mr. Gathercole's mind?

Mr. Seguin: I don't know, probably I speak too much.

At the meetings I wouldn't know because I will tell you, honestly, the name Moog was mentioned when I asked who are the principals of Canada Square? And the name Moog came up, and I had forgotten all about that name until it appeared again in the Globe and Mail.

Mr. Seguin: I don't know, probably I speak too much. At the meetings I wouldn't know because I will tell you, honestly, the name Moog was mentioned when I asked who are the principals of Canada Square? And the name Moog came up, and I had forgotten all about that name until it appeared again in the Globe and Mail.

Mr. Renwick: And when you say it appeared again in the the Globe and Mail, what time ~~-----~~?

Mr. Seguin: No, when it appeared in the Globe and Mail.

Mr. Renwick: Just recently, or ~~-----~~?

Mr. Seguin: Just recently.

Mr. Renwick: Well, could I put the question a different way, ~~Did~~ you have any impression in your mind that the arrangement between Hydro and Canada Square had something to do with a ~~franchise~~ ^{franchise} between Premier Davis and somebody?

June 19, 1973
5.55-6.00 p.m.
M.F.

Tape H - 556 - 2

Mr. Seguin: Never.

Mr. Chairman: Mr. Renwick, your whip is looking
for you, I don't think he cares about the rest of us.

The committee adjourned at 6.00 o'clock p.m.

~~Tape H - 556 - 532 lines~~

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Page</u>	<u>Description</u>
166.	524-2	Memo - October 24, 1972 - From J. L. Witbeck to H.J. Sissons re Long-Range Planning - Building Cleaning
167.	527-1	Letter - March 10, 1970 - From Building Maintenance Counsellors to G. E. Gathercole re Maintenance of New Head Office Building
168.	527-2	Memo - October 24, 1972 - From J.L. Witbeck to H.J. Sissons re Proposed Lease for New Head Office Building
169.	546-1	Letter - August 21, 1972 - From D.J. Smith, Ellis-Don Ltd. to R.N. Seguin, Ontario Hydro re Proposal for New Head Office Building

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Tuesday, June 19, 1973.

Evening sitting

APPEARANCES

Committee members:

J.N. Allan
J.E. Bullbrook
I. Deans
M. Gaunt
L.C. Henderson
R.G. Hodgson
W. Hodgson
J.P. MacBeth (Chairman)
W. Newman
J.A. Renwick
G.W. Walker

Clerk of the committee:

Paul Moore

Committee counsel:

R.E. Shibley, QC

Ontario Hydro counsel:

Pierre Genest, QC
James McCallum, QC

Canada Square Counsel:

Douglas Laidlaw, QC

Commissioner, Ontario Hydro: R.N. Seguin, OC, QC

Commissioner, Ontario Hydro: L.E. Danis

Commissioner, Ontario Hydro: Dr. J.D. Fleming

Chairman, Ontario Hydro: G.E. Gathercole

H-557-1

The committee resumed at 8 o'clock, p.m.

Mr. Chairman: Ladies and gentlemen, we have a quorum in the room. I would ask Mr. Seguin to come forward again, realizing that you must be out of here, sir, for your own appointment at what time, ^{8:45} ~~8:43~~?

Mr. Seguin: Yes, about that time.

Mr. Chairman: Mr. Renwick, then if you would proceed, sir.

Mr. Seguin: I would like to make a correction. Mr. Chairman, before we proceed. When I said we didn't see the contract which is a big thick book, I was right. But on the other hand we had got an 18-page letter from Mr. Houser and Mr. McCallum concerning the contract on different points which had been considered by us at different meetings.

Mr. Chairman: Thank you, Mr. Seguin.

Mr. Renwick: I'll leave that for Mr. Shibley to ^{follow} ~~follow~~ along. ~~Mr. Seguin~~ ^{you have} ~~you have~~ ^{information} ~~information~~ curricula vitae, I'd like to question you about the way in which you conceive your role as a commissioner, and the responsibility which you have. I want to do it briefly, but I do want to say that from my point of view, and I would perhaps surmise, from the point of view of other members of the committee, we are somewhat confused as to the dividing line of responsibility as conceived by members of the commission for the commission as a whole, and the responsibility of the senior management. With your experience, I would like you to make a very brief statement about the division of responsibility.

Mr. Seguin: ^{Yes} ~~Yes~~, Mr. ^R ~~Renwick~~. I would say that being government appointees we are actually the watchdogs of the ratepayers or users of Ontario Hydro, and it is our responsibility to check management as much as we can into ^{the} ~~their~~ details of what they are doing for the users of hydro. Now when it comes to policy, policy the same thing is usually from the board to the executive and simply opposite. When it comes to purchases it is recommended by the administration to us, and we approve or refuse their tenders, whatever it is.

Mr. Renwick: How would you like

H-558-1

June 19/73

8:05 - 8:10 pm

C.B.

(Mr. Seguin)

~~From the head office, the Executive Committee, and the staff of Hydro.~~
~~When it comes to the decision, it was made by the Commission.~~
~~It was not a decision made by the Commission.~~

Mr. Renwick: How would you view the decision of Hydro during the time that you became a commissioner until it was formalized? How do you view your responsibility with respect to the question of a head office? Is that a policy matter, not with respect to the details, but with respect to conception?

Mr. Seguin: I would say, sir, that without the commissioners approving construction, the staff of Hydro certainly couldn't proceed with it. So it was for us to decide that, the commissioners.

Mr. Renwick: Mr. Seguin, from your knowledge or background with the commission, what role do you consider that the government had to play in this decision with respect to the head office?

Mr. Seguin: Actually, I would say, as I answered in my letter, they had no role. But I know for a fact from what the chairman's ~~statement~~ was saying to us, ~~there had been~~ consultation with different ministers ~~that~~ at all times during the last three or four months prior to July.

Mr. Renwick: Were you then under the impression that when you were making the decision, so far as your involvement in the decision was concerned, in approving the negotiations and settlement of a contract with Canada Square, that whatever governmental approval or authorization was required had been obtained?

June 19/73

8:05 - 8:10 pm

C.B.

Mr. Seguin: Let's put it this way: I didn't think government approval was necessary. But I knew the government was being informed and had not said no.

Mr. Renwick: You would agree with me ~~that~~, if Hydro had been going to borrow the sum of \$35 ^{million} to \$40 million and assuming a 30-year commitment to pay interest on it, that government approval was required?

Mr Seguin: Necessary.

Mr. Renwick: But that the fact that the form of this transaction took a lease-purchase view, ~~that~~ even though the identical number of dollars were going to have to be paid out by Hydro ~~for~~ ^{over} a period of 30 years, ~~that~~ it was not ~~was~~

Mr. Seguin: required.

Mr. Renwick: ~~was~~ a requirement. But without asking you whether you have specific knowledge of all the details of the Power Commission Act, ~~apart~~ from borrowing, there are a large number of matters which do require cabinet approval in the Power Commission Act, ~~was~~ there anything in the nature of a legal confirmation to the commission that this project could go ahead without cabinet approval?

Mr. Seguin: No, we never asked for that, sir. But, as I said before ^{from} ~~Mr. Gathercole~~ ~~that~~ ~~talks~~ with different ministers, and with the Premier's office, the word was "go". So, in view of that fact, we proceeded with it. I imagine if he had come back to us and said, like it was said in 1969, that the economic conditions are bad and you shouldn't proceed with it, ~~we~~ we would have stopped.

Mr. Renwick: Do you know Mr. Fleck, Mr. Seguin?

Mr. Seguin: I've talked to him once on the telephone.

June 19/73

8:05-8:10 pm

C.B.

Mr. Renwick: In a matter at all related to this question?

Mr. Seguin: No, nothing at all.

Mr. Renwick: I just wanted to confirm. I think it is correct to say that you had no conversation personally by telephone or otherwise with MR. Smith about the letter of complaint.

Mr. Seguin: No.

Mr. Renwick: And as a result of the meeting on September 1, did you take any further steps in connection with that letter?

~~Before the meeting I had a letter from Mr. Smith dated September 1, 1973, in which he stated that he had no conversation with me regarding the letter of complaint.~~

H 559 to follow

June 19, 1973
8.10 - 8.15 p.m.
M.R.

Mr. Seguin: No, I did not, except as I mentioned before, I think it was two or three weeks later when we did meet with the Task Force and it was then that Mr. Dillon asked me what I had done with the letter and I told him. I repeated to him what I had said to him when he first called me, that if Mr. Smith wanted to deal with the board on board matters that he should write the secretary of the board and not an individual.

Mr. Renwick: And I take it that the meeting of the commission with the Task Force at that time that this discussion or comment between you and Mr. Dillon was purely incidental to that meeting?

Mr. Seguin: Oh, that was in a corner of the room between Mr. Dillon and myself.

Mr. Renwick: And had nothing to do with the purpose of the meeting?

Mr. Seguin: No. The letter, Mr. Renwick, was made, the name was divulged to the other members of the commission, and Mr. Evans said that I told him, but I don't remember telling him. It was divulged as far as I was concerned, in early April when the article came out in the Globe and Mail, that I divulged the name of the person who had written the letter.

Mr. Renwick: And I understand from your very first statement that you came on the commission late in September, 1971?

Mr. Seguin: The first meeting was early October, 1971.

Mr. Renwick: So you would not have been in attendance at the meeting on September 15th at which this question of availability of funds for a project to be constructed by Hydro,

Mr. Seguin: No, I was not.

June 19, 1973
8.10 - 8.15 p.m.
M.R.

Mr. Renwick: Did you ever at any subsequent time hear that matter raised or discussed?

Mr. Seguin: Well, ~~I think~~ I heard it raised and discussed in a general way, but nothing was acted upon nor did ~~anybody~~ I ask any questions on it.

Mr. Renwick: I have no further questions,
Mr. Chairman.

Mr. Bullbrook: I would like to, with your *indulgence*

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: ~~may~~ just ask a couple of questions of clarification. Mr. Seguin, in talking of Mr. Dillon previously, you had mentioned that he was an employee of Hydro.

Mr. Seguin: ~~Yes~~ Yes.

Mr. Bullbrook: Perhaps I am in error here, I didn't realize members of Task Force Hydro were employees of Hydro.

Mr. Seguin: Well, I'll have to explain that one. You see, Mr. Dillon was appointed to ^{the} Task Force while he was dean of engineering at ~~the~~

Mr. Genest: Western.

Mr. Seguin: ~~was~~ Western and then he went on sabbatical leave and I imagine that he asked to be employed as a consultant to enforce the Task force report. And that's how he became an employee. I think his term is one year, as a consultant.

Mr. Bullbrook: So in effect he is a consultant to Task Force Hydro?

Mr. Seguin: He is a consultant to Ontario Hydro ~~from time~~ to implement the Task Force decisions which will be decided by the government.

Mr. Bullbrook: Do you know if Mr. Dillon carries on any other type of business?

Mr. Seguin: I wouldn't know that.

Mr. Bullbrook: Thank you.

June 19, 1973
8.10 - 8.15 p.m.
M.R.

Mr. Seguin: Although I have known Mr. Dillon; as I said, he sat with me on the conservation committee for years.

Mr. Chairman: Are there any other questions?

Mr. G. ^{R.} ~~W.~~ Hodgson: Mr. Chairman, I just wonder if counsel wishes to pursue ~~with~~ ^{with} the commissioner ~~any~~ knowledge of the phone calls with regard to the contractor, which was one of our questions of reference?

Mr. Shibley: Mr. Seguin, there was evidence given by Mr. Brook~~es~~ of OISE to the effect that he received a telephone call from an unidentified person, someone who he believed in the first instance was connected with Hydro but later said he was presuming that without knowing.

Mr. Seguin: Yes, I read that.

Mr. Shibley: ~~Is~~ inquiring as to whether or not it was a fact that Premier Davis and Mr. Moog were friends. Do you know anything about the circumstances at all?

Mr. Seguin: I know nothing about that. I don't know Mr. Brook~~es~~. I ~~have~~ ^{had} never heard of him before this inquiry.

Mr. Shibley: And you have no information or belief in that ~~respect~~?

Mr. Seguin: No information whatsoever.

Mr. Chairman: Mr. Seguin, merci beaucoup pour ~~remercier~~ votre assistance.

Mr. Seguin: Merci, ~~merci~~ monsieur.

Mr. Shibley: Hidden ~~talents~~ talents of the chairman. Is Mr. Evans here?

Mr. Chairman: No. I don't know where Mr. Evans is.

~~Mr. Seguin: I think you should know it's my intention~~

~~Mr. Shibley: Mr. Seguin, I think you should know it's my intention~~

June 19/73

8:15 - 8:20 pm

C.B.

(~~Mr. Seguin~~)

~~Have I got permission to recall.....~~

Mr. Shibley: Mr. Genest, I think you should know it is my intention that Mr. Evans be recalled.

Mr. Genest: You told me that, Mr. Shibley, and as soon as you told me I looked for Mr. Evans; he had gone. I checked with the whips' office and they ~~are~~ are trying to find him now.

Mr. Shibley: I intend. I'll just tell you my purpose. I would like to question both ~~Mr. Seguin~~ ^{Mr. Seguin} and Mr. Gathercole again with respect to the September meeting about which Mr. Seguin has now testified. ~~So~~ It is my intention to recall them and I think it would be preferable that they be recalled fairly quickly.

Mr. Genest: Soon.

Mr. Shibley: ~~So that~~ I'll now proceed and deal with the remaining commissioners, and if you ~~might~~ might be ~~able~~ alert to arranging for Mr. Evans to be available. I'm not intending to recall Colonel Kennedy; I understand he is not well and his wife is ailing. ~~So~~ I don't think it necessary. But I would like Mr. Evans available.

Mr. Genest: Perhaps the committee can assist me in locating him. I understand the whips have ~~methods~~ ^{methods} that ~~are unknown to counsel~~ ^{are unknown to counsel} with their own counsel.

Mr. Renwick: Ring the bells, you might be able to find ~~him~~ ^{him}.

Mr. Walker: ~~They~~ ^{He} 'll come out of the woodwork.

Mr. Genest: ~~But~~ I think he will be available tomorrow.

June 19/73

8:15 - 8:20 pm

C.B.

(Mr. Genest)

~~anyway~~, if we can't find him tonight, Mr. Shibley.

Mr. Shibley: Thank you.

Mr. Allan: He'll be around someplace tonight.

Mr. Shibley: I'd like to call - is it "Danny" or "Danis?"

Mr. Danais: Mr. Danais.

Mr. Shibley: Thank you. We have a Mr. Justice Danny.

Mr. Danais: It is pronounced "Donney" in some areas, of course.

Mr. Shibley: Yes.

~~DANIS~~
LOU ~~DANIS~~, Sworn.

Mr. Shibley: Mr. Danais, would you tell the committee the term during which you have been a commissioner of the Ontario Hydro Power Commission?

Mr. Danais: I was appointed at the same time as Mr. Seguin; the latter part of September, 1971.

Mr. Shibley: Yes. During the tenure of your office as a commissioner when was the first occasion on which you were involved in any consideration for the lease-purchase of a new head office building?

Mr. Danais: I believe, as my recollection goes, it would be somewhere in June of 1972.

Mr. Shibley: Would that be June 29, 1972?

Mr. Danais: Yes, there or thereabouts.

Mr. Shibley: ~~Mr. Danais~~. It was at a formal meeting of the commission?

Mr. Danais: That's right.

June 19/73
8:15-8:20 pm
C.B.

Mr. Shibley: Had you received any communication, written or oral, respecting plans for the new head office building prior to that date?

Mr. Danxis: No, I had not.

Mr. Shibley: At the time of that meeting you received a copy of a seven-page memorandum dated June ~~22~~ 23, prepared by Mr. Candy and Mr. Mink, I believe.

Mr. Danxis: Yes, I had.

Mr. Shibley: Was that the only documentation tabled with you at that or any subsequent meeting upon which you were asked to make ~~your~~ decisions in ^{this} connection? ~~any~~

Mr. Danxis: Yes, it was.

Mr. Shibley: Did you at any ^(time) ~~time~~ have the opportunity to review the April 10, 1972, report compiled by Candy and Mink?

Mr. Danxis: I don't recall that I ~~had~~ ^{had}.

Mr. Shibley: Did you ever have the opportunity to examine and consider the content of the various memoranda compiled by various departments of Hydro, all of which have been tabled as exhibits in these proceedings?

Mr. Danxis: No, I had not.

Mr. Shibley: You have since considered them, have you?

Mr. Danxis: I have since considered; I'm sure ~~any~~

Mr. Shibley: You've been following these proceedings closely, I gather?

Mr. Danxis: Yes, I have.

Mr. Shibley: You have either sat in or read transcripts?

Mr. Danxis: Yes.

June 19/73

8:15 - 8:20 pm

C.B.

* Mr. Shibley: Have you looked at the documentation?

Mr. Danmis: I've read them.

Mr. Shibley: Yes. None of that documentation was known to you as at the time of your deliberations in June and July and even into the fall of 1972. Is that correct?

Mr. Danmis: No, they were not.

Mr. Shibley: The only documentation before you and other members of the commission, being the seven-page memorandum of June 23?

Mr. Danmis: That is right.

Mr. Shibley: Now, with respect to the meeting of July 12, were you there?

Mr. Danmis: There was one meeting. Could I check with ~~my~~ counsel?

Mr. Shibley: Yes.

Mr. Danmis: There was one ^{that} I missed just about that time. I'm not sure ^{when} it was July 12 or ^{when} I believe it was July 12 ^{when} I was missing.

Mr. Shibley: Yes, of course. All right.

Mr. Genest: I believe that's right. I have just checked that. ^{Where are the minutes? Mr. Danmis, my}

Mr. Shibley: Were you at the meeting of July 19?

Mr. Danmis: Yes, I believe I was. I missed one meeting and I believe it was the 12th ^{to 10 am} ~~was~~ established that ^{then} I was at the others.

Mr. Shibley: You had been at the meeting of the 29th when Mr. Nastich raised certain questions that were worrisome to...

H-561-1

~~(Mr. Danis)~~

~~one meeting; I believe it was the 12th. If they can establish that I was at the others.~~

Mr. Shibley: You had been at the meeting of the 29th when Mr. Nastich raised certain questions that were worrisome to him, were you not?

Mr. Danis: Yes, I was.

Mr. Shibley: Included among those was the circumstance of whether it was preferable to do the transaction by lease-purchase or building a building with your own funds. Do you remember that?

Mr. Danis: Yes, I do.

Mr. Shibley: And also he raised the question at the June 29 meeting as to the validity of pro-rating the submissions made by the four developers on the basis of a \$34 per square foot building. Do you remember that?

Mr. Danis: Yes.

Mr. Shibley: At any time subsequent to June 29 was there ever an occasion on which those issues, as raised by Mr. Nastich on June 29, ^{were} answered to your satisfaction?

Mr. Danis: Prior to that date, did you say?

Mr. Shibley: Subsequent to June 29.

Mr. Danis: Subsequent to that, as I recall, when Mr. Nastich brought up these various questions, before the commission, he following that meeting, had made, from what I am given to understand a memorandum of some type which went to Mr. Dean, who compiled the answers, which were. After having compiled the answers to the questions that were bothering him at that time, if they were indeed bothering him, the memorandum which he,

Mr. Bullbrook: What does the witness mean by that, "if they were indeed bothering him"? Are you taking issue with..?

Mr. Danis: No, I'm not taking issue. Maybe I used the wrong terminology, and if I did I apologize.

Mr. Bullbrook: You don't have to apologize. I just want to clarify what the witness meant by that. Is there anything in your mind that Mr. Nastich wasn't sincere?

H-561-2

Mr. Danis: No, there isn't at all.

Mr. Bullbrook: Okay. Go ahead.

Mr. Shibley: Just before we leave that, I gather that, and I would like this established once and for all. I gather that Mr. Nastich came on the scene, so to speak, in February when he was appointed to his senior position in finance. Is that correct?

Mr. Danis: Yes.

Mr. Shibley: And having brought a fresh mind to bear on the situation, it was he that was, if I may say so, repeatedly raising the questions with staff and the commission as to the matters raised in his memorandum of the meeting of June 29, which you have now read?

Mr. Danis: Right.

Mr. Shibley: And so far as you are concerned, and the commission is concerned, Mr. Nastich was sincere and bona fide in raising these issues?

Mr. Danis: That is true.

Mr. Shibley: In fact, he was telling the commission that you should have a good, hard look at the basic premises upon which this lease-purchase transaction was founded? Isn't that so?

Mr. Danis: Yes, it is.

Mr. Shibley: And he set them out very succinctly, and very bluntly, if I may say so, in his memorandum of June 29, which is exhibit 78 in these proceedings. Is that correct?

Mr. Danis: Yes.

Mr. Shibley: You have now had the opportunity to read those, but, in any event, you had heard him repeat the same cautions to the commission ^{at} ~~after~~ the meeting of June 29. Isn't that so?

Mr. Danis: Yes.

Mr. Shibley: Now what this committee is interested in knowing is; what, if anything, was done in terms of follow through to satisfy yourselves as to whether the questions raised by Mr. Nastich were satisfactorily answered?

Mr. Danis: I was endeavouring to answer the question a few moments ago, Mr. Shibley, and maybe I did express myself incorrectly.

June 19/73
8:20 - 8:25 pm
CA

H-561-3

(Mr. Danis)

But, in any event, what I was attempting to say at the time was that the answers came through Mr. Nashich having got in contact with Mr. Dean who did formulate the answers which were sent to, as I believe, Mr. Sissons, and there was, subsequently to that, a meeting held between Mr. Sissons, Mr. Gathercole and, I believe, our general manager, Mr. Gordon. They had gone over them and then came back to a further meeting, at which time they had expressed the fact that they had gone over all of these and were quite satisfied with the answers, and satisfied the commission to them as well.

Mr. Shibley: Now, I gather Mr. Nastich went on holiday in July of 1972. Is that correct?

Mr. Danis: Yes, I believe he did.

~~Mr. Shibley: For the purpose of the meeting, making reference then to the meeting with Mr. Danis.~~

H-562-1 follows

June 19, 1973
825-8.30 pm
V.H.

(Mr. Shibley)

~~5-72~~

~~Mr. Danis: I don't have one in front of me, but I~~

Mr. Shibley: So that the matter to which you are making reference, then, is the memorandum of July 6, 1972, exhibit 79, from Mr. Dean to Mr. Nastich?

Mr. Danis: I don't have one in front of me, but I imagine that is the one I am referring to.

Mr. Shibley: It starts off, I might tell you, and it might assist you in response to your memo of June 29th and he is talking about Nastich's memo of June 1st. "I have ~~some~~ reviewed the questions you have raised with Candy and Mink, ~~as~~ set below the answers to your specific questions" and so^{on}. What I want to know is, why wasn't this document tabled before the ~~a~~ commission?

Mr. Danis: I don't know the answer to that.

Mr. Shibley: It never was tabled, was it?

Mr. Danis: I don't believe it was.

Mr. Shibley: Was its content ever reviewed with the commission?

Mr. Danis: Well, I would say it was discussed with the commission, yes.

Mr. Shibley: When?

Mr. Danis: Well, now, I don't know the date of the meeting, Mr. Shibley, that it was discussed at, but it seems to me that I recall that it was discussed at a meeting subsequent to this being drawn up. As I say it was ~~for~~

Mr. Shibley: The next meeting was July 12 of which we only have a two-line

Mr. Genest: He wasn't there.

Mr. Danis: I was not there, so I couldn't ~~say~~

Mr. Shibley: You weren't there? Then the meeting of July 19 was next, was it raised at that meeting?

Mr. Danis: I am not sure whether it was or not. It could have been.

June 19, 1973
8.25-8.30 pm
V H

Mr. Shibley: I might tell you the document, which is exhibit 24, ~~memorandum~~ dated July 19, which is the "Advice of Commission Decision" starts off by saying: "The ~~proposed~~ proposal to proceed with a new head office building ~~building~~ was again considered" and a seven-page memorandum, dated June 23, 1972, which had been briefly reviewed by the commission at meetings of June 29 and July 12, was re-submitted today." There ~~was~~^{is} no reference to the July 6 memorandum from Dean to Nastich. The only document which is referenced is again the June 23 memorandum. Do you note that?

Mr. Danis: Yes.

Mr. Shibley: Is it fair to presume that Mr. Easson, who is responsible for the compilation of this document and whom I understand to be a very meticulous person, would have referenced any other documents tabled with the commission that were part of your considerations on that date?

Mr. Danis: No, I don't think he is likely to do that.

Mr. Shibley: Pardon?

Mr. Danis: I don't think so.

Mr. Shibley: You don't think he would have?

Mr. Danis: Well, maybe I am misunderstanding your question.

Mr. Shibley: What I want to know is if the Dean to Nastich memo of July 6 had been tabled with the commission and considered by it, would Mr. Easson not have referenced it in the first paragraph in the same way as he referenced the June 23 memorandum?

Mr. Danis: I would have thought that he would.

Mr. Shibley: Yes. And the earlier witnesses, being commissioners, have not made reference to the circumstance of the Dean-Nastich memo of July 6 being considered at all at the July 19 meeting. You heard their evidence?

June 19th, 1973

8.25 - 8.30 pm

H 562 - 3

AA

Mr. Danis: Yes, I did.

Mr. Shibley: Well, what is your own evidence as to whether those matters were taken up at that time?

Mr. Danis: I said that we didn't take them up with the memo in front of us at the meeting.

Mr. Shibley: Was Mr. Dean at that meeting?

Mr. Danis: No.

Mr. Shibley: And neither was Mr. Nastich?

Mr. Danis: No.

Mr. Shibley: Now the memorandum of July 6 would be sitting on Mr. Nastich's desk while he was away on holiday.

Mr. Danis: Could be.

Mr. Shibley: No? Was he back by then?

Mr. Genest: No, the evidence. Do you want my help?

Mr. Shibley: Yes, I would like your help.

Mr. Genest: My understanding, and I think Mr. Gordon will bear this out, is that the Dean memorandum was discussed at a meeting of the chairman, Mr. Gordon, Mr. Sissons and the day before the July 19th meeting. And that the questions that had been raised by Mr. Nastich were answered to their satisfaction, and they were dealt with at the commission meeting.

Mr. Bullbrook: We want an explanation of your final comment, "And they were dealt with at the commission meeting." How were they dealt with?

Mr. Shibley: Yes.

I would like to reconcile that statement with what has already been said by the other commissioners as to what was and was not discussed at the meeting of July 19th.

Mr. Genest: Well, with respect Mr. Shibley, you are asking people to recall out of their memory an

June 19th, 1973

8.25 - 8.30 pm

H 562 - 4

AA

(Mr. Genest)

event that occurred almost a year ago. I think that Mr. Gordon will testify^{...} My recollection is that Mr. Gathercole also dealt with that subject, that the commissioners were informed that the ~~the~~ questions raised by Mr. Nastich had been examined and that ~~the~~ management was satisfied.
~~Now, I know~~

H 563 - 1 follows

June 19/73
8:30-8:35 pm
PLG

(Mr. Genest)

~~in 1972 that the Commission reviewed the report that was~~
~~examined and that management was satisfied.~~ Now I don't want to pre-empt Mr. Gordon's evidence. You will hear from him on the matter, but that is my understanding, my recollection of what Mr. Gathercole said. It is a long time ago now.

Mr. Shibley: All right. Mr. Danis, you have, prior to your being called as a witness, considered the July 6, 1972, from Dean to Nastich, have you?

Mr. Danis: Yes I did. I have ~~to~~ look at it again though.

Mr. Shibley: Yes. Having regard for your more recent review of this document, do you have any recollection that Mr. Gathercole or Mr. Candy or Mr. Gordon reported to the meeting of July 19 the contents of that document as it relates to issues raised by Mr. Nastich?

Mr. Danis: I said that I do recall that it was mentioned at the meeting of July 19.

Mr. Shibley: What do you mean "it was mentioned"?

Mr. Danis: Well, they had a meeting ^{as} I mentioned, ~~that~~ I was given to understand there was a meeting of Mr. Sissons, Mr. Gathercole and Mr. Gordon, and reviewed the report that was brought down by Mr. Dean, answering the questions that Mr. Nastich was concerned about. At the meeting the following day, it was discussed with the commissioners. We didn't have the documents, but they discussed it and whatever was said at that time satisfied the Commission, myself included.

Mr. Shibley: Are you telling me then that on the meeting of the 19th of July the validity of the pro-rating process was examined carefully?

Mr. Danis: I believe it was.

Mr. Shibley: You know that two commissioners before you have said otherwise?

Mr. Danis: Yes, I am aware of that, but it seems to me that we were satisfied that this was quite in order.

June 19/73
8:30-8:35 pm
PLG

Mr. Shibley: At the moment, I want to know whether it was even considered.?

Mr. Danis: I thought it was.

Mr. Shibley: Now I must ask you, Mr. Danis, do you now think it was because you ^{HAVE} ~~had~~ reference to the July 6 memo, or are you drawing on your memory of what actually took place at the meeting of July 19?

Mr. Danis: I thought it was discussed.

Mr. Shibley: Well then, pursuing Mr. Allan's concern for the moment, why, having regard for the fact that three developers all came in with a price very close to one another, and the fourth being somewhat separated, the fourth being Canada Square, why did the commissioners consider it appropriate to pro-rate upwards to \$34, rather than to pro-rate down to \$30?

Mr. Danis: Well, as was explained to the commissioners of course ~~and~~ by our executive personnel, ~~that~~ it was felt that the type of building which we wanted was one which was more in line with the \$34 value than it would be at a lesser amount, and it was decided upon that they should use that figure and pro-rate them to it.

Mr. Shibley: Mr. Danis, you were told that Mr. Candy had laid down the specifications to the four ~~developers~~ developers?

Mr. Danis: Yes.

Mr. Shibley: And you were told that all four developers' proposals met those specifications.?

Mr. Danis: Yes, I was told that.

Mr. Shibley: And you were also told that all four developers were responsible entities, experienced in ~~the~~ the building field?

Mr. Danis: Yes I was.

Mr. Shibley: ~~And in terms of the schedules prepared by Mr. Candy there was no any.~~

Tape H 564 follows

June 19/73
8.35 - 8.40 p.m.
R.E.S.

II-564 - 1

(Mr. Shibley)

Yes, and in terms of the Schedules prepared by Mr. Candy, ^{THERE} wasn't anything extraordinary respecting one developer from the other in terms of qualifications, unless there was a consideration referable to Ellis-Don that they didn't have experience as managers of buildings. Isn't that so?

Mr. Danis: Yes.

Mr. Shibley: Now, here were three developers, all of whom said they could build a building of the quality Hydro was seeking, for a materially lower price. Did ~~it~~ it not excite some concern on your part that Hydro would be entering upon a contract at the highest price quoted?

Mr. Danis: Well, it didn't concern me in that respect because there was some doubt ~~as to~~ when it was explained to the commission, as to whether the building which ^{in fact} ~~we~~ we wanted could be built for less than \$34 a square foot.

Mr. Shibley: Mr. Danis, there were ~~any~~

Mr. Genest: Mr. Shibley?

Mr. Shibley: Yes?

Mr. Genest: I hope you're not overlooking a paragraph on page 4 of the memorandum of June 23, where that subject is ~~dealt~~ dealt with.

MR. Chairman: ^WWhat is the exhibit number of that, do you know?

Mr. Genest: It's exhibit No. 74.

Mr. Shibley: 74.

Mr. Genest: 74.

Mr. Shibley: What is it that you ~~say~~

Mr. Genest: It's the ~~the~~ on page 4 ^{of} ~~the~~ the Memorandum ~~of the~~ commission where the ^Aproration is made.

Mr. Shibley: Yes.

Mr. Genest: And right after the ^Aproration comes the statement, "As our original design was estimated to cost \$29 per square foot as of December 31, 1969, and the composite construction cost index has increased by approximately 25 per ~~cent~~

H-564 - 2

(Mr. Genest)

"cent since that date, we feel that a cost of \$34 per square foot is a minimum in order to provide the quality and character of building required."

Mr. Shibley: Well, Mr. ~~Genest~~

Mr. Genest: That was ⁱⁿ the memorandum ~~to~~ to ~~the~~ Commission.

Mr. Shibley: Mr. Danis, was it not also brought to the commission's attention that meaningful advantages inured to developers by reason of tax considerations as a result of this type of transaction? That was ^{brought} brought to your attention, wasn't it?

Mr. Danis: It may have, but I don't recall explicitly if it was.

Mr. Shibley: Then what might be a fair cost to a builder with a profit from ~~the~~ building the building alone would be one circumstance as compared to a lease-purchase type transaction, would it not?

Mr. Danis: It may be.

Mr. Shibley: Yes, so that whatever might have been the cost estimate of building a building of your own and financed by Hydro borrowings, really isn't a proper premise upon which to make a comparison to a lease-purchase transaction, is it?

Mr. Danis: I don't really know.

MR. Shibley: That wasn't raised when deliberating upon the content of page 4 to which Mr. Genest has made reference?

Mr. DANIS: I don't recall it was.

Mr. Bullbrook: That's very valid questioning, ^{Shibley} Shibley very valid questioning that you are putting to the witness ~~that~~ right now, in view of the comments made by Mr. Genest.

Mr. Shibley: Well, Mr. Bullbrook, I agree it is valid, because I put the questions.

June 19/73
8.35~~0~~ - 8.40 p.m.
R.E.S.

H0564- 3

Mr. Bullbrook: Well, no, let me explain this, as a member ^{of} the committee, to Mr. Genest.

Mr. Shibley: Yes.

Mr. Bullbrook: You don't compare apples ^{and} ~~to~~ oranges, Mr. Genest, and that's ^{what} ~~what~~ you want us to do.

Mr. Shibley: Yes, ~~that's~~ that's why I felt it necessary.

Mr. Genest: NO, I am not suggesting that, Mr. Bullbrook. What I am suggesting is that the commissioners were ~~presented~~ presented with this as the considered opinion of people they believed to be experts.

Mr. Bullbrook: All right, and then ~~then~~

Mr. Genest: You may criticize ~~then~~

Mr. Shibley: Well, Mr. Danis ~~then~~

Mr. Genest: You may criticize the experts, ~~then~~

Mr. Shibley: Mr. Danis, ~~what~~ wouldn't the commission, ~~then~~

Mr. Genest: ^{But} I don't think it's ~~fair~~ ^{fair} to engage Mr. Danis in that kind of debate.

Mr. Shibley: Mr. Danis, wouldn't it be reasonable to conclude that the very best test of what was the market price for this kind of a deal, was what three other responsible developers were proposing as compared to Canada Square?

Mr. Danis: Well, I don't really say that it would be the best test, because I do feel that I'd have to go along with our experts ~~who~~ ^{who} are employed by us, analyse it and look at it and present ~~us~~ ^{us} with something, and when I say with something, with their findings that ~~the~~ \$34 a square foot would be a reasonable price and a good price to build the type of building which we wanted. And I saw nothing wrong with prorating ~~the~~ ^{all} of them to that amount, And again, as is evidenced here, the former building in 1969 was \$29 a square foot and it was a fair assumption that in 1973 or 1975....

(TApe H-565 - 1 follows)

June 19/73
8:40 - 8:45 pm.
M.S.

(Mr. Danis)

~~in 1969 was \$29.4 square foot and it was a fair assumption that~~
~~in 1973 or 1975, whichever, that an escalation factor up to \$34~~
would be reasonable.

Mr. Shibley: Well, Mr. Danis, that was an estimate. What I'm putting to you is it's much better than an estimate to get hard bids, is it not?

Mr. Danis: I guess I'd have to say yes.

Mr. Shibley: Yes. And here you had three other developers making hard bids to build this building on a lease-purchase basis for materially less money.

Mr. Danis: But I ~~had~~ ^{had} no evidence ~~that~~ ~~that~~ ~~time~~ ~~to~~ ~~show~~ -- and I don't suppose any of us had any evidence ~~that~~ they were going to all builders ^{who could} deliver to us the same building for that amount of money either.

Mr. Shibley: Well, Mr. Candy had laid down the same specifications for each. Why should you expect that they come in with anything different?

Mr. Danis: I don't really know.

Mr. Shibley: And you didn't enquire?

Mr. Danis: I probably didn't.

Mr. Shibley: And neither did any of the other commissioners?

Mr. Danis: I don't know. I don't recall whether they ---

Mr. Shibley: You were at the meetings.

Mr. Danis: I don't know whether they did or not. I don't recall.

Mr. Shibley: I see. Now then, at the same meetings was there any consideration of the fact of the fluctuations in foreign exchange upon the proposal made by Canada Square?

Mr. Danis: I don't recall anything ~~discussed~~ discussed in that field at all.

June 19/73
8:40 - 8:45 pm.
M.S.

Mr. Shibley: Was there any discussion at these meetings referable to the abandonment of the original plans?

Mr. Danis: I don't get the question, Mr. Shibley, I'm sorry, as to what it meant.

Mr. Shibley: I gather that ^{at} meetings of June 29, July 12 and July 19, over the series of these three meetings, the decision was taken on the basis of a June 23 memorandum to go ahead with a lease-purchase transaction with Canada Square. Is that correct?

Mr. Danis: Yes.

Mr. Shibley: Was it ever the matter of specific consideration by the Commission that the plans for the original building be scrapped?

Mr. Danis: Really, I knew very little about the plans of the original building.

Mr. Shibley: You'd never seen them, had you?

Mr. Danis: No.

Mr. Shibley: Pardon?

Mr. Danis: No, I never had.

Mr. Shibley: You'd never considered them, had you?

Mr. Danis: I haven't seen them yet.

Mr. Shibley: And notwithstanding that -- and your evidence, I must say, Mr. Danis, is consistent with that of the previous commissioner's. Notwithstanding that the commissioners had not even seen these plans, they were scrapped in the face of an expenditure of \$1.5 million. Is that right?

Mr. Danis: That's right.

Mr. Shibley: On the recommendation that they be abandoned in favour of a lease-purchase transaction for an altogether new building?

Mr. Danis: That's right.

Mr. Shibley: Were you told ~~that~~ that, initially, an effort was made by Mr. Candy to have Mr. Moore quote on a lease-

June 19/73
8:40 - 8:45 pm.
M.S.

(Mr. Shibley)

purchase transaction for the original building? Were you told about that?

Mr. Danis: I don't believe so. I recall us being told, rather, that as far as the old building was concerned that when it did, in fact, come up about the old building, that the reason why it was scrapped was, of course, that it was just that the design and so forth was antiquated in comparison to what we could get.

Mr. Shibley: You're not answering my question. I realize you were told that. I am asking you whether you were told by Mr. Candy or anyone else that in the summer of 1971, more precisely in August of 1971, Mr. Meog was asked to submit a proposal for a ~~new~~ lease-purchase transaction related to the original plans for the building? Were you told about that?

Mr. Danis: I don't recall being told that.

Mr. Shibley: And were you told that he refused to make a proposal on that basis, and said that if he was to make a submission it would have to be on a building newly designed? Were you told about that?

Mr. Danis: I don't recall hearing that.

Mr. Shibley: You don't recall?

Mr. Danis: No.

Mr. Shibley: So, it was not raised at a Commission meeting?

Mr. Danis: Not to my knowledge.

Mr. Shibley: In terms of your consideration for the scrapping of the plans of the original building, it was predicated only on the representation that it was obsolete in design and didn't have the characteristics that Hydro felt were necessary, is that right?

Mr. Danis: That's true.

~~Mr. Shibley: The first time you knew that the thought of a ~~newly~~ newly designed~~

June 29/73
8:45 - 8:50 pm
C .B.

~~(Mr. Danis)~~

~~that is true.~~

Mr. Shibley: The first time you knew that the thought of a newly designed building was conceived as at August 25, 1971, when Mr. Moog ^{said} ~~was~~ to Mr. Candy: "I won't build a lease-purchase on the old plans," ~~But~~ when you heard it in evidence at this hearing.

Mr. Danis: Yes.

Mr. Shibley: All right. Mr. Danis, at any commission meeting was there any consideration as to the effect of this lease-purchase transacttion upon employees of Hydro in the maintenance field?

Mr. Danis: It was discussed.

Mr. Shibley: When was that?

Mr. Danis: I don't know the exact date, but I know it was discussed.

Mr. Shibley: Relative to the approval for execution of the contract, was it before or after ?

~~Mr. Danis: Yes.~~

Mr. Genest: Mr. Shibley, I have trouble understanding that question, was it the 1st of November ~~or~~ or the 19th of July?

Mr. Shibley: Yes, well, let's take the ^{1st} ~~1st~~ of November. Was it after November or before November?

Mr. Danis: After November 1971, you mean?

Mr. Shibley: No, 1972.

Mr. Danis: I'm guessing that it would be after November.

Mr. Shibley: So that it did not form any part

June 29/73

8:45-8:50 pm

C.B.

(Mr. Shibley)

of your deliberations directed to whether to make a lease-purchase transaction?

Mr. Danis: I don't think so, no.

Mr. Shibley: No. It only was a consideration in terms of the consequences of making that decision. Is that right?

Mr. Danis: Yes, we were concerned with people.

Mr. Shibley: My point, Mr. Danis, is that it was not part of the consideration as to whether to enter into the agreement, but rather a consideration following upon your making that decision. Do you understand the question? Step one, is that you are considering making the lease-purchase. You never discussed the employees.

Mr. Danis: No, not at that time.

Mr. Shibley: Having decided to enter into a lease-purchase, you then realized that this was going to affect employees, and considered them at that point in time.

Mr. Danis: Yes.

Mr. Shibley: Now, you've heard Mr. Seguin give his evidence just immediately ahead of you?

Mr. Danis: Yes, ~~and~~ I did.

Mr. Shibley: You've heard him reference a meeting in the office of the chairman in early September, 1972.

Mr. Danis: Yes.

Mr. Shibley: Did you attend that meeting?

Mr. Danis: Yes, I did.

Mr. Shibley: What is your recollection of what was said at that meeting?

June 29/72

8:45 - 8:50 pm

.C.B.

Mr. Danis: Mr. Seguin had reported to us as a matter of fact, I believe that he had asked the chairman if he would meet with the commission ~~and~~ in his office, prior to our regular meeting, which we attended and he was concerned, or at least telling us, about a letter that he had received from someone at that time. I believe that was the one that was mentioned here this evening.

Mr. Shibley: Did he tell you, for example, that the someone who had written the letter was one of the developers who had made a submission?

Mr. Danis: Yes, he said it was from one of the developers.

Mr. Shibley: Yes, And did he tell you that that letter indicated that this developer did not consider there had been a fair competition for the job?

Mr. Danis: He had made mention of it.

Mr. Shibley: And what was said to him?

Mr. Danis: Well, ~~and~~ he was told that they all had equal opportunity.

Mr. Shibley: Do you confirm his recollection that he was told that all of the four developers who tendered a proposal were given equal opportunity with the same information, the same plans, the same timing, etc?

Mr. Danis: Yes, I do.

Mr. Shibley: And you were told the same?

Mr. Danis: I was there when ^{he} ~~it~~ was told.

Mr. Shibley: Yes. Did you have any different information at that time?

June 29/73

8:45 - 8:50 pm

C.B.

Mr. Danis: No, I did not.

Mr. Shibley: Who gave that information to that meeting?

Mr. Danis: I believe it was the chairman.

Mr. Shibley: Mr. Gathercole.

Mr. Danis: Yes.

Mr. Shibley: Was there any member of the staff of the commission present at that meeting?

Mr. Danis: I don't think so.

Mr. Shibley: ^{Was} ~~Were~~ there any minute kept of that meeting?

Mr. Danis: No.

Mr. Shibley: It was an informal meeting,?

Mr. Danis: Yes, it was.

Mr. Shibley: Was it called specifically to consider this letter of complaint from Mr. Smith?

Mr. Danis: I would say yes, it was.

Mr. Shibley: Yes, And were the items of complaint gone over in fair detail?

Mr. Danis: No.

Mr. Shibley: ~~Were the items of complaint~~



June 19, 1973
8.50 - 8.55 p.m.
M.R.

(Mr. Shibley)

~~...and the issue of complaint...~~

Mr. Danis: No.

Mr. Shibley: Did it create any concern on the part of the commissioners attending?

Mr. Danis: Well, as one commissioner that attended, I was quite satisfied with the answer that was given by the chairman and when Mr. Eg Seguin was concerned as to whether ~~if~~ ^{they} all had received an equal opportunity and the answer was in the affirmative, I was quite satisfied with the answer.

Mr. Shibley: Mr. Danis, are you telling us then that, as with Mr. Seguin, you did not know that Canada Square had been given the whole of the drawings for the original building as early as August, 1971 until this hearing?

Mr. Danis: No, I didn't know that.

Mr. Shibley: You didn't know that?

Mr. Danis: No.

Mr. Shibley: And you did not know that Mr. Candy had been collaborating as to the extent that he testified, with the Meog organization throughout the summer of 1971?

Mr. Danis: No, I did not know that.

Mr. Shibley: You took the report that was tabled with you at face value as one reflecting that there had been a true and honest competition effected as among the four developers who made submissions? Is that correct?

Mr. Danis: Yes, sir.

Mr. Shibley: And did it come as a surprise to you that the specifications given to three of those developers had only been given to them within weeks of requiring their submissions to be ~~tabled~~ tabled?

Mr. Danis: If it is so that it was only given within weeks, yes I am ^{surprised} surprised but I don't know that that was the in fact the case.

June 19, 1973
8.50 - 8.55 p.m.
M.R.

Mr. Shibley: If Mr. Smith confirms, under oath, what is in his letter, namely, that he was given two weeks

Mr. Danis: Yes.

Mr. Shibley: ~~Now~~ within which to make his submission, that comes as a surprise to you?

Mr. Danis: Yes, indeed.

Mr. Shibley: Was it a surprise to you in September of 1972?

Mr. Danis: Was it a ^{Surprise} ~~surprise~~ to me that he was making the statement in the letter that you are referring to

Mr. Shibley: Yes.

Mr. Danis: ~~Yes~~ that Mr. Seguin received?

Mr. Shibley: Yes.

Mr. Danis: Yes, it was.

Mr. Shibley: What did you do about following through on that?

Mr. Danis: Well, I attended the same meeting that Mr. Seguin was at, along with the commissioners and the chairman, and we were told that they had all received equal opportunity and we were ~~satisfied~~ satisfied with that answer.

Mr. Shibley: You ^{knew} ~~knew~~ that the contract had yet to be executed - ~~the~~ contract with Canada Square, did you not?

Mr. Danis: Yes.

Mr. Shibley: It wasn't executed until November 1st, some two months later?

Mr. Danis: Yes.

Mr. Shibley: There was more than enough opportunity to examine into this complaint before finalizing the arrangements with Canada Square. Is that right?

Mr. Danis: Yes.

Mr. Shibley: And you did nothing more than hear the chairman out and accept the statement that they all had an opportunity which was equal.

Mr. Danis: That is right.

June 19, 1973
8.50 - 8.55 p.m.
M.R.

Mr. Shibley: Did you follow through in conversation with staff of Hydro, as mentioned by Mr. Seguin?

Mr. Danis: No, I did not.

Mr. Shibley: You didn't talk to any of them?

Mr. Danis: No.

Mr. Shibley: So you relied wholly on the statement of the chairman in this respect?

Mr. Danis: Yes, I did.

Mr. Shibley: Would you have been content to consider the competition equal if you had known that Mr. Smith only had two weeks within which to work up his proposal?

Mr. Danis: I may not have been. I can't say now; in retrospect, I suppose, I would not be content. But whether I would have been at that particular time, with ~~the~~ circumstances as they would have been presented to me, might be a different thing. I may have been content at that time.

Mr. Shibley: Was there ever any mention made to you that when the developers were first asked to submit proposals - I'm thinking of the three developers other than Canada Square - that they were made to consider their proposals would be treated as preliminary only?

Mr. Danis: No, I wasn't of that opinion that they were.

Mr. Shibley: You knew that this was the one and only submission made by them?

Mr. Danis: Yes.

Mr. Shibley: Did you see the proposals themselves?

Mr. Danis: No, I didn't.

Mr. Shibley: Did you make any ~~inquiries~~ inquiry as to what follow-through had taken place with the various developers after the initial submission?

Mr. Danis: No.

Mr. Shibley: Did you take any advice outside of the commission up until the point when Jim McCallum was retained?

Mr. Danis: No, I did not.

Mr. Shibley: Yet you knew that there was no one within the staff of Hydro that had any expertise in the field of ~~leases~~

Take H-568 follows

June 19/73
8.55 to 9.00 pm
fvk

rr

(Mr. Shibley)

~~.....come within the staff of Hydro that had any expertise in the field of~~ lease-purchase transactions. Did you know that?

~~Mr.~~ Mr. Danis: I guess I did, yes.

Mr. Shibley: You knew that. And you, as a commissioner, did not think it necessary to seek outside advice from financial, legal, accounting people in respect of a transaction completely novel to Hydro?

Mr. Danis: Not until such time as we decided upon requiring the services of Mr. McCallum.

Mr. Shibley: Mr. Danis, you heard Mr. Candy, I believe, and Mr. Sissons agree with me that by the time Mr. McCallum was retained, the ^{basic} ~~basic~~ decision to do a lease-purchase transaction had already been taken. Isn't that so?

Mr. Danis: Yes, it is.

Mr. Shibley: And the only purpose of his retainer was to work out the refinements of the terms of the lease-purchase agreement. Isn't that so?

Mr. Danis: Yes, that is right.

Mr. Shibley: He wasn't asked his advice as to whether it was preferable to do a lease-purchase ~~one~~ or to fund your own building, was he?

Mr. Danis: No, not for that reason.

Mr. Shibley: And neither did you take advice of any financial people with expertise in that regard. Did you?

Mr. Danis: We took the advice of our own people, our own staff.

Mr. Shibley: And they were without experience?

Mr. Danis: I find now that they probably were without experience.

Mr. Shibley: ^{Their only} ~~Their only~~ experience was from an evaluation of the OISE transaction?

Mr. Danis: That is so.

Mr. Shibley: ^{of} Mr. Danis, there was evidence ~~that~~ Mr. Brooks that somebody placed a call to him inquiring as to the

June 19/73
8.55 to 9.00 pm
fvk

(Mr. Shibley)

friendship existing between the Premier and Mr. Moog. Do you know anything about such a call?

Mr. Danis: No, I don't know Mr. Brooks.

Mr. Shibley: Do you know Mr. Moog?

Mr. Danis: I met Mr. Moog for the first time here last Wednesday afternoon. Someone introduced me to him.

Mr. Shibley: All right. Was it ever any part of any discussion in which you participated, or that you overheard, or any written communication with you, or that you had opportunity to examine, that the relationship, or friendship, between Premier Davis and Mr. Moog entered upon the considerations of anyone within Hydro, including members of the commission, respecting this building?

Mr. Danis: No.

Mr. Shibley: Never?

Mr. Danis: Never.

Mr. Shibley: Nor the circumstance that Mr. Moog, or any of his companies might support any political party?

Mr. Danis: I didn't know Canada Square, nor Mr. Moog, I ~~do~~ didn't know the company, or any of them.

Mr. Shibley: You know that Mr. Gathercole expressed some recollection of someone raising the matter of the friendship and Col. Kennedy said he ~~has~~ had some recollection, he doesn't know when or where, have you any recollection of any such exchange between anyone?

Mr. Danis: No, I have none whatsoever. As a matter of fact, I can quite emphatically say that I never did ever hear anything of that nature at all.

Mr. Shibley: Do you know anything respecting suggested threats to one of the developers?

Mr. Danis: A which?

Mr. Shibley: A ~~three~~ threat.

Mr. Danis: No.

Mr. Shibley: You don't know anything about that?

June 19/73
8.55 to 9.00 pm
fvk

Mr. Danis: No, I don't.

Mr. Shibley: I have no further questions.

Mr. Chairman: Any member of the committee have questions?

Mr. R.G. Hodgson: Yes, I would like to ask the witness a question with ~~regard~~ ^{is} regard to exhibit 84, which ~~was~~ ^{is} the "Advice of Commission Decision," based on page three.

Mr. Genest: Do we have that document?

Mr. Chairman: Yes.

Mr. Danis: Is that dated July 19?

Mr. Chairman: July 19, 1972, headed "Advice of Commission Decision." Is that before you, Mr. Danis?

Mr. Danis: I believe I have it, Mr. Chairman.

Mr. Chairman: It started out, "to Mr. Candy, Mr. Sissons and Mr. Raney."

Mr. Danis: Yes.

Mr. R.G. Hodgson: How much do you understand about pro-rated on an equal basis, and would that lead you to consider ~~each developer~~ that ~~had~~ ^{each developer} been dealt with ~~on an~~ ^{each developer} on an ~~equal~~ equal basis? Would you be confused with that consideration of pro-rating?

Mr. Danis: My interpretation ~~of~~ of having them all pro-rated on the same basis would be that they ~~would have~~ were all being looked at equally.

Mr. R.G. Hodgson: Do you now know what pro-rating and how they were pro-rated means in relation to an equal basis versus being treated equally on an equal basis? Is there a difference?

(Tape H 569 follows)

June 19, 1973
9.00 - 9.05 p.m.
M.R.

(Mr. G. Hodgson)

~~are on equal basis that they are~~

Mr. Danis: I don't really know if I understand the question, I'm sorry.

Mr. G. Hodgson: Do you understand prorating, as was prorated to acquire the figures?

Mr. Danis: Yes.

Mr. G. Hodgson: And prorating on an equal basis versus being treated on an equal basis in consideration of the proposals?

Mr. Danis: Well, on prorating ^{them all,} we are using now, and we are speaking of, I'm sure, the figure of \$34 per square foot. Is that not right?

Mr. G. Hodgson: Right.

Mr. Danis: My interpretation of it and my belief of it is that they would be all prorated at that amount and it would, therefore, be all on an equal basis.

Mr. G. Hodgson: Thank you. ^{Those are} ~~my~~ my questions.

Mr. Chairman: Any other questions? Mr. Renwick.

Mr. Renwick: Mr. ~~Chairman~~ Danis, at the meeting on June 29th ^{at} or the meeting on July 19th, was any question raised about the need for government approval of the proposal to build a new head office?

Mr. Danis: No, there wasn't.

Mr. Renwick: Did you have any impression, or were you operating under any assumption when you approved of it, that there was or was not a need for government approval to the ~~maximum~~ proposed expenditures?

Mr. Danis: I was of the opinion it wasn't necessary to have government approval.

Mr. Renwick: That it was not necessary?

Mr. Danis: Not necessary.

Mr. Renwick: Did you ever discuss this matter with the chairman or ~~the~~ any other member of the commission?

June 19, 1973
9.00 - 9.05 p.m.
M.R.

~~Mr. Danis~~ Mr. Danis: No, not per se, I did not.

Mr. Renwick: You ~~were~~ aware that had you borrowed \$35 ^{million} or \$40 million ~~dollars~~ that you would have had to have government approval?

Mr. Danis: I don't really know that we would have had to ^{have} had government approval to make the expenditure.

Mr. Renwick: You would not be specifically aware of those circumstances in which government approval is required for any action by the commissioners in Hydro?

Mr. Danis: Well, let me put it this way, Mr.

Renwick: ~~Yes~~ I am aware of the fact that we make expenditures far in excess of that amount without government approval, and I just ^{would have} expected that that would be in the same category.

Mr. Renwick: Are you specifically aware that if Hydro borrows funds, it requires Cabinet approval?

Mr. Danis: Yes, I am.

Mr. Renwick: And ~~you~~ ^{you} Just to clear up one ~~ask~~ point [>] the ~~informal~~ informal meeting on September 1st ~~that~~ you referred to prior to some other meeting, were you referring to a formal commission meeting which took place on September 1st?

Mr. Danis: The informal meeting being the one in which we discussed the letter that Mr. Seguin had received?

Mr. Renwick: Yes.

Mr. Danis: Yes, I was.

Mr. Renwick: Later on the same day there was a formal commission meeting?

Mr. Danis: Yes, there was.

Mr. Renwick: Is that correct?

Mr. Danis: Yes, there was.

Mr. Chairman: Mr. Shibley, I think Mr. Renwick ~~wants~~ ^{wants}

Mr. Shibley: I'm sorry, Mr. Renwick ~~no~~

Mr. Renwick: I was just clearing up a point,

Mr. Chairman, Mr. Shibley that there was a commission meeting on September 1st, which followed after the informal meeting

June 19, 1973
9.00 - 9.05 p.m.
M.R.

(Mr. Renwick)

of the commissioners. Is that your understanding, Mr. Shibley?

Mr. Shibley: It wasn't my understanding. I understood the commission met weekly and it would be unusual to have another meeting after June 29th on ~~the 1st of~~ September 1st.

Mr. Danis: No, I don't think that is the question that I was asked, Mr. Shibley, I was asked if there was a meeting immediately following ~~the~~

Mr. Shibley: Yes...

Mr. Danis: ~~the~~ the meeting that we held in the chairman's office pursuant to that letter. ~~My understanding from Mr. Shibley~~

Mr. Shibley: My understanding from Mr. Seguin was you had a meeting that morning and then you went to lunch. Now did you have a commission meeting?

Mr. Danis: No. My recollection of it, and maybe the difference is here, but my recollection of it was that we had the meeting in Mr. Gathercole's office somewhere around 9.00 o'clock in the morning prior to the holding of our regular commission meeting which is usually at 9.30.

Mr. Shibley: Mr. Genest, was there a commission meeting on September 1st?

Mr. Danis: I'm just taking it for granted that September 1st is the date. I would have to check ~~that~~ if that was the date, but I do know that the meeting that was held in the chairman's office to discuss the letter that Mr. Seguin had received was on a morning ~~held~~ ^{it was} prior to a commission meeting. I'd say at 9.00 o'clock in the morning, give or take a few minutes ~~our~~ commission meeting was held immediately following it.

Mr. Shibley: Well, then, if that be the case, why wasn't this raised as a regular item of business at the commission meeting?

June 19, 1973
9.00 - 9.05 p.m.
M.R.

Mr. Danis: That's a question for Mr. Seguin,
Mr. Shibley. He had the letter and he was the one that
was asking the questions about it ~~and~~ I don't know really
why it would be ~~done~~

~~Renwick -~~
~~?? Mr. Shibley Well I think it is I say this was~~
~~what - xxxxxx you at the time of the commission~~

H-570 to follow

H-570-1

~~(Mr. Danis):~~

~~asking the question whether or not the meeting was held~~

~~was~~

Mr. Renwick: This ^{if I may} you are the first member of the commission who, from my point of view, has indicated that this informal meeting preceded by a few minutes, or an hour at the most, a formal meeting of the commission. And perhaps I'd leave that ~~to~~

Mr. Danis: Yes, it did.

Mr. Allan: I understood that.

Mr. Genest: That's right. There was a meeting on

September 1.

Mr. Shibley: There was?

Mr. Genest: Yes.

Mr. Renwick: I'd like to... Mr. Seguin has now gone. ^{Certainly} [I didn't understand that there was a formal commission meeting on the same date on which there was the informal meeting. Is that your understanding, Mr..?

Mr. Genest: Yes, I understand that.

Mr. Allan: Yes.

^{hear} Mr. Renwick: Well, Mr. Shibley, I guess you and I didn't ~~the~~ the same thing. I just want to complete this. I leave it to Mr. Shibley, then, to follow up, because I don't understand why a matter such as the complaint was dealt with in an informal ^{manner} ~~matter~~ on the day on which a commission meeting was in fact held.

Mr. Shibley: Mr. Danis, I'd like to know, was Mr. Fasson at the meeting in the chairman's office?

Mr. Danis: No, he was not.

Mr. Shibley: He is normally in attendance as secretary to take notes and provide memoranda or minutes of whatever is discussed.

Mr. Danis: This was not a formal meeting that was called, It was just a meeting that Mr. Seguin had asked the commissioners ^{to}, and he had called up to the chairman and asked if he could meet with them, and he asked us to go along with him to the meeting with the chairman. It ~~was~~ was strictly an informal discussion rather than a meeting, ^{let us} ~~let us~~ say.

H-570-2

Mr. Shibley: What time of day do you normally start your meeting?

Mr. Danis: 9:30 a.m.

Mr. Shibley: And this meeting was at what time?

Mr. Danis: Roughly nine o'clock.

Mr. Shibley: So that the attendance at an earlier hour of people ~~and~~ a number of you are from out of town are you not?

Mr. Danis: Yes.

Mr. Shibley: You are from where?

Mr. Danis: Thunder Bay.

Mr. Shibley: And the other commissioners?

Mr. Danis: Mr. Seguin comes from Ottawa.

Mr. Shibley: Yes. And are there any other people from out of Toronto?

Mr. Danis: Dr. Fleming comes from Dundas, and ~~Mr.~~ Col. Kennedy ~~came~~ came from Owen Sound or Wasaga Beach way.

Mr. Shibley: So that in terms of arriving at a meeting a half hour earlier this would have to be by design, by prearrangement?

Mr. Danis: No, it wouldn't have to be, Mr. Shibley. I generally come into town ^{because} because of the connections that I have from Thunder Bay to Toronto, I generally come into town the evening before the meeting and I am generally in my office in the Ontario Hydro building at roughly 8:30 each morning of the day of the meeting.

Mr. Shibley: Well, you are conscientious. What I want to know is this; Was the meeting which was scheduled for 9 a.m. on that day pre-arranged?

Mr. Danis: No, it was not.

Mr. Shibley: I ~~was~~ thought you said you had communicated with...

Mr. Danis: The only thing that ~~was~~ was pre... Mr. Seguin and myself share an office together.

Mr. Shibley: Yes.

Mr. Danis: When I arrived at the office, Mr. Seguin told me that he would like to have a meeting with the chairman.

Mr. Shibley: I see.

1-570-3

Mr. Danis: And it was just arranged at that time.

Mr. Shibley: I see.

Mr. Chairman: ^{As} I recall Mr. Seguin's evidence, ^{he} indicated that there were only commissioners there. Is that correct?

Mr. Danis: That's my recollection too, that there were only commissioners there. I said that Mr. Easson was not there when I was asked the question.

Mr. Allan: Mr. Chairman, it has always been my understanding that the usual day of meeting is Wednesday. This was Friday. Was there any significance in the fact that this meeting was held on Friday?

Mr. Genest: It was scheduled in the general manager's book for that Friday.

Mr. Danis: I don't know what the reason was at that particular time, but we had meetings ~~for~~

Mr. Allan: But aren't the meetings usually held on Wednesdays?

Mr. Danis: Wednesdays and Thursdays more so than any other day of the week.

Mr. Genest: All I can do to help you on that, Mr. Allan, is that ~~for~~

Mr. Allan: I know that it was held then. I thought it was unusual that a meeting was held on Friday.

Mr. Genest: By Mr. Gordon's diary here it shows a meeting scheduled for Wednesday was cancelled and put over to Friday, ~~And~~ I don't think he knows why.

Mr. Shibley: Was the meeting of June 29 a regular scheduled meeting? My memory of the minutes indicate a meeting once a week. Is that correct?

Mr. Danis: Yes.

Mr. Genest: It was a Thursday meeting. I think that is the regular day.

Mr. Shibley: The 29th?

Mr. Genest: ~~The 29th was a Thursday.~~

Mr. Shibley: ~~And then the next normally scheduled meeting would have been a week earlier?~~

Mr. Genest: ~~It would have been.~~

H-571-1 folio

June 19, 1973
9.10-9.15 pm
V.H.

Mr. Genest: The 29th. *That was a Thursday.*

Mr. Shibley: And the next normally scheduled meeting would have been a week ^{later} ~~earlier~~?

Mr. Genest: It would have been -- the next one, I am going by Mr. ^{Gordon's} ~~Gordon's~~ book now, ^{was} ~~was~~ scheduled for Wednesday, the 5th.

Mr. Shibley: The fifth? It would have been the normal sequence, ~~as was~~ The meeting of September 1 was an extraordinary meeting?

Mr. Genest: Well, it took -- there was a meeting scheduled for the Wednesday ^{that} ~~that~~ didn't take place.

Mr. Shibley: What was the ^{purpose} ~~purpose~~ of the Wednesday meeting?

Mr. Genest: Well, I will produce the minutes. *There are* ^{very} ~~very~~ items on the agenda, ^{have seen} ~~you could see~~ these minutes.

Mr. Shibley: I have been through them, Mr. Genest!

In any event, that part of whatever meeting took place on September 1 was an extraordinary ~~meeting~~ get-together. It was not part of a regular commission meeting?

Mr. Danis: That is right. It was not part of the regular meetings.

~~XXXXXXXXXX~~

Mr. Shibley: And other than what Mr. Seguin ~~said~~ ^{who confirmed} did to follow-up with members of the staff ~~to confirm~~ to him what Mr. Gathercole told the commissioners, you don't know of any other follow-up that was undertaken respecting the items of complaint raised by Mr. Smith?

Mr. Danis: No, it died there as far as I was concerned. That was the last ^{time that} ~~I have~~ ever been in any discussions of that letter.

Mr. Renwick: Do I take it, Mr. Danis, that ~~the~~ all of the commissioners who attended the formal meeting ^{dance} subsequently were in attendance ~~at~~ at the informal meeting?

Mr. Danis: If my memory serves me correctly, Mr. Renwick, they were all there. I don't recall anyone that wasn't there.

June 19, 1973
9.10-9.15 pm
V.H.

Mr. Renwick: You don't recall any specific reason why the meeting was held on the Friday instead of on the Wednesday?

Mr. Danis: The only reason ~~that~~ there might be ^{that} is ^{be} it could ^{be} as Mr. Gordon states, it was slated first for Wednesday and then changed to Friday ^{It} ~~and~~ ^{was} could be possibly that the chairman was called out or ~~going~~ ^{was} to be called out ~~on some other assignment~~ on some other assignment or business pertaining to Hydro or what-have-you and would ask that it be held over.

Mr. Renwick: Well, now, may I ask you to try to recall for the committee whether at that informal meeting anyone was in attendance other than members of the commission?

Mr. Danis: No, there werenot.

Mr. Renwick: Nobody else ^{was} ~~present~~?

Mr. Danis: I don't recall anyone other than just members of the commission.

Mr. Renwick: And you knew nothing about the complaint prior to attending that meeting, or at least that morning?

Mr. Danis: Nothing. Nothing whatsoever.

Mr. Renwick: And you heard nothing further about it subsequent to that meeting?

Mr. Danis: Just other than it was mentioned, ^{that is Seguin} and as came out in the evidence of Mr. ~~Seguin~~ mentioned it to our staff people and that was it.

Mr. Renwick: Thank you Mr. Chairman.

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: I just have two lines of questioning. First of all, you have heard the evidence of Mr. Seguin, Mr. Danis?

Mr. Danis: Yes, sir.

Mr. Bullbrook: That he wasn't given a copy of the lease prior to its execution. Were you given a copy of the agreement?

June 19, 1973
9.10-9.15 pm
V.H.

Mr. Danis: Not as was shown here in the big black book form but we were given a copy of it of the lease and it was gone over at a commission meeting.

Mr. Bullbrook: Would this be at a meeting that Mr. Seguin didn't attend?

Mr. Danis: I don't believe he did attend that meeting.

Mr. Bullbrook: And who went over that with you?

Mr. Danis: I recall it being gone over with Mr. McCallum, yes.

Mr. Bullbrook: And would we presume that he would attempt to explain to you the significance of the lease-purchase arrangements?

Mr. Danis: Well, he did explain many ~~by~~ ^{He} went pages ~~and~~ ^{by} pages, as a matter of fact, the first time we had gone over it with him. He had taken many notes, and there were many things that he had to scratch out and take notes of, that we weren't satisfied with. I couldn't ~~just~~ name what they were at this particular time but the commission was concerned about many things that ~~we~~ ^{he} had to go back and ~~renegotiate~~ ^{renegotiate}.

Mr. Bullbrook: Well, could you help ^{me} ~~with~~ respect to when this meeting with Mr. McCallum might have taken place?

Mr. Genest: I believe it was October 26.

Mr. Bullbrook: Pardon me?

Mr. Genest: October 26th.

Mr. Bullbrook: October 26th.

Mr. Genest: ~~And~~ I believe Mr. McCallum's evidence will be that he was instructed to go back on a number of points and try ~~to~~ ^{to} improve the position as it was then. Mr. McCallum will give evidence, I think, to that effect.

Mr. Bullbrook: Did Mr. McCallum report back to you prior to the execution of the agreement, do you recall?

June 19, 1973
9.10-9.15 pm
V.H.

Mr. Danis: I believe he did but I couldn't tell
you ~~xx~~ what date it was, Mr. Bullbrook.

Mr. Genest: Can I assist here again?

Mr. Bullbrook: Sure.

Mr. Genest: There was another meeting on November
1st at which Mr. McCallum reported on the outcome. ~~W~~ There
were some matters on which he gained ^{accep} ~~ass~~istance and other
matters on which Canada Square wouldn't move.

~~Mr. Bullbrook: I presume, Mr. Danis, that you, at
least, and perhaps.~~

H-572 follows

June 19, 1973
9.15 to 9.20
M.T.

H-572-1

~~(Name of person)~~

~~other matters on which certain persons wouldn't move.~~

Mr. Bullbrook: Can I presume, Mr. Danis, that you at least, and perhaps your fellow commissioners, were aware, therefore, of the significance of the lease-purchase arrangements[?] And its benefits as far as Ontario Hydro was concerned[?] And its obligations and responsibilities as far as Ontario Hydro was concerned?

Mr. Danis: Yes, and we were quite satisfied with ~~it~~ it in the final analysis.

Mr. Bullbrook: I want to refer to paragraph 4, or page 4, of Exhibit No. 74 that Mr. Genest brought to our attention.

Mr. Danis: May I have a copy or do I have one[?]

Mr. Bullbrook: I think you have a copy, it starts page 4.

Mr. Genest: It's a ^MMemorandum to the Commission.

Mr. Bullbrook: It's entitled; "Memorandum to Commission", right, from Mr. Candy. It's the famous exhibit of June 23, 1972.

Mr. Danis: I have it, yes.

Mr. Bullbrook: I want to read with you this paragraph again so I understand your evidence fully. And it's the second last paragraph on page 4:

"As our original design was estimated to cost \$29.00 per square foot as of December 31, 1969, and the composite construction cost index has increased by approximately 25% since that date, we feel that a cost of \$34.00 per square foot is a minimum in order to provide the quality and character of the building required."

Now, do I understand your ~~evidence~~ evidence to be that you felt that \$34.00 a square foot was a reasonable cost based on that particular paragraph, and that you related the \$29.00 per square foot in 1969 to the elevation of building costs over that period of time? So that \$34.00 per square foot, in your mind, was a reasonable cost for that quality of a building at the time of the submission of this memorandum to you?

June 19, 1973
9.15 to 9.20
M.T. =

H-572-2

Mr. Danis: Yes.

Mr. Bullbrook: Was it explained at all ^{let} me put it this way to you: did you recognize ~~that~~ that the \$29.00 per square foot cost would be based on a tender to plans as drafted by Ontario Hydro?

Mr. Danis: Yes -

Mr. Bullbrook: I don't want to be unfair with you, Or did you understand it to be that this \$29.00 per square foot was based on a lease-purchase arrangement? Which did you understand?

Mr. Danis: No, the \$29.00 per square foot was not on a lease-purchase ^a arrangement.

Mr. Bullbrook: It wasn't on a lease-purchase arrangement?

Mr. Danis: It was not.

Mr. Bullbrook: So that may we presume that your understanding of the cost to a contractor to build that building as of December 31, 1969, was \$29.00 per square foot?

Mr. Danis: If they were building it for us and we were financing it ourselves.

Mr. Bullbrook: ~~Would~~ ^{To} get ^{the} comparable quality?

Mr. Danis: Yes, that was my understanding, that ~~was~~ the cost, was \$29.00 per square foot if a contractor were to build that building for us in 1969 with Ontario Hydro financing it.

Mr. Bullbrook: Well now, the \$34.00 per square foot cost that Mr. Candy refers to in this memorandum, what is your understanding of that to be? Is that on a contract basis or a lease-purchase basis?

Mr. Danis: Lease-purchase.

Mr. Bullbrook: On a lease-purchase basis?

Mr. Danis: Yes.

Mr. Bullbrook: Well, do you understand that there are many benefits to accrue to a developer on a lease-purchase arrangement that don't accrue to a contractor on a tender basis?

Mr. Danis: I must say I am learning that more and more each day.

June 19, 1973
9.15 to 9.20
M.T.

H-572-3

Mr. Bullbrook: I have no more questions.

Mr. Allan: Mr. Chairman, I would like to ask someone sometime if it was a matter of good judgment to have compared the cost of the original building per square foot with the second building. I don't think I should ask Mr. Danis that.

Interjections by hon. members.

Mr. Allan: As ^{look} I ^{look} at those two buildings, those two models, I think we are comparing apples and oranges.

Mr. Shibley: We are also comparing completely different concepts, MR. Allan, and ~~it~~

Mr. Bullbrook: ^{It} ~~is~~ is essential that we understand this.

Mr. Shibley: That's right.

Mr. Bullbrook: And this is why ~~because~~ I did take issue with Mr. Genest.

Mr. Allan: You find someone, then!

Mr. Genest: You misunderstood the ~~the~~ ground on which I was taking issue with you, Mr. Bullbrook.

Mr. Bullbrook: Well, I'm sorry if I did ~~but~~ but ~~it~~

Mr. Genest: I think you can have your fight with the experts. They are ^{the legitimate} ~~generally~~ people to fight with.

Mr. Bullbrook: Well, I am not fighting! I was fighting with the fact, and I regard you as an expert, Mr. Genest, ~~no~~ no, I do, really, You're a counsel to this Commission, to the Hydro, I am just a member, and I fully understand the ~~the~~ difference between the cost to a developer per square foot in building a building and the cost to a contractor tendering, ~~they are~~ they are ~~entirely~~ entirely ^{different.} ~~different~~

Tape H-573 follows

June 19, 1973
9.30-9.35 p.m.
M.F.

H - 573 - 1

~~(Mr. Bullbrook)~~

~~developer per square foot in building a building and the cost to a contractor tendering are entirely different.~~

Mr. Shibley: Well I think, just to bring this part of it to an end for a moment, that there are really two differences that have been pointed up by the evidence.

One is that in the first instance they were merely speculating as to what the cost would be. It was a mere estimate as compared with the hard dollars submissions made.

Mr. Allan: And many fewer square feet.

Mr. Shibley: Yes. The second thing that has evolved is that the \$29 per square foot was based upon a building built by a builder for the profit in building the building only, whereas we are here dealing with a lease-purchase transaction.

It has been alleged that there is to be no profit from the construction of the building and the only profit to the developer emanates from the lease portion of the transaction. So you get, on that basis, an altogether different premise to consider. I really think the committee must recognize that there are these very fundamental differences and that adopting the projection for the cost of the first building must be measured against the background of that testimony, and I think Mr. Allan has now raised another very significant circumstance, namely that the buildings are completely different types of structures, and I think, Mr. Allan, you will hear comment in that respect from some of the other developers as well, in terms of cost of construction.

Mr. Chairman: Any other questions of Mr. Denis? If not, Mr. Denis, thank you for being here this evening.

Mr. Shibley: Mr. Fleming please.

Mr. Chairman: Mr. Fleming, your full name?

Mr. Fleming: John Douglas Fleming.

H - 573 - 2

DR. JOHN DOUGLAS FLEMING, sworn.

Mr. Shibley: Dr. Fleming, how long have you been a commissioner?

Dr. Fleming: Since October 1st, 1969.

Mr. Shibley: You are an old hand by comparison. I gather then that you were involved in the latter phases referable to the first planned building and involved in the decision to shelve, on a temporary basis, those plans?

Dr. Fleming: Yes, sir.

Mr. Shibley: Do I take it that the decision in the latter part of December to defer ~~some~~ plans for construction of the original building was no more than a decision to defer rather than to scrap those plans?

Dr. Fleming: That is right.

Mr. Shibley: The intention continued at that time and for some period thereafter to construct this building when economic circumstances permitted. Is that correct?

Dr. Fleming: I think so.

Mr. Shibley: Were you aware that during the spring of 1971 efforts were made to ascertain whether that first planned building could be built by a developer on a lease-purchase basis?

Dr. Fleming: I don't think I was, no.

Mr. Shibley: When was the first occasion upon which you became aware that such a transaction was being considered?

Dr. Fleming: Certainly the first official notification was in the memorandum of June 23rd. I think it is very fair to say that in casual conversations at lunch time and this sort of thing, and in fact over a period of some months when requisitions to lease new office space would be presented to the commission, that a comment would be made: "Isn't it about time we got on with our new building?" I certainly was aware that discussions were taking place. I didn't really delve into the depth of those discussions but I did know that talks were ~~going~~ going on.

June 19, 1973
9.20-9.25 p.m.
M.F.

H - 573 - 3

Mr. Shibley: The first formal occasion was June 29th, 1972?

Dr. Fleming: That is right.

Mr. Shibley: During the month of November, 1971, - and I am thinking particularly during the latter part of that month or early December, did anything come to your attention respecting a move forward on the part of staff toward making a lease-purchase arrangement with Canada Square?

Dr. Fleming: Not that I can really recall at this point, Mr. Shibley.

Tape H - 574 follows

June 19/73
9.25 to 9.30 pm
DT

(Mr. Shibley).

~~making a lease-purchase arrangement with Canada Savings.~~

~~Dr. Fleming: Not that I can really recall at this point, Mr. Shibley.~~

Mr. Shibley: Well, might there have been?

Dr. Fleming: There might have been.

Mr. Shibley: And from what source might that have come?

Dr. Fleming: I have heard so much and read so much and talked so much in the last month that I am really beginning to wonder what I really know for sure myself.

Mr. Shibley: You, of course, appreciate why I am telescoping your particular thinking during the period the end of November.

Dr. Fleming: Yes.

Mr. Shibley: You have read the transcript or have been in attendance? You have read the documents that have been exhibited?

Dr. Fleming: Most of them.

Mr. Shibley: And you know that on November 22, the general managers met and concluded that they should do a lease-purchase transaction with one developer?

Dr. Fleming: So I have found out.

Mr. Shibley: When did you find that out?

Dr. Fleming: I think during the course of this hearing that I really saw the official correspondence on it.

Mr. Shibley: I see, and you know that on November 25, 1971, Mr. Sissons wrote his now famous logistical notes to the same effect. When did you find that out?

Dr. Fleming: I suspect at the same time.

Mr. Shibley: When did you find out that the chairman had issued a memorandum on March 9, 1972, to prepare a submission for consideration by the Premier and cabinet?

Dr. Fleming: I really can't recall when I first learned of that.

June 19/73
9.25 to 9.30 pm
DT

Mr. Shibley: Was it not until the meeting of June

29?

Dr. Fleming: ~~I would think not. I think that's~~
~~right, yes.~~

Mr. Shibley: So that the chairman did that memorandum on his own motion? Is that correct?

Dr. Fleming: I would think so, yes.

Mr. Shibley: When did you first become aware that there was a memorandum in depth prepared by Mink and Candy and dated April 10?

Dr. Fleming: I suspect at the time of the June ~~22~~ 29 meeting.

Mr. Shibley: Do you have any knowledge or information as to why that very comprehensive report of April 10 didn't surface at a commission meeting until June 29?

Dr. Fleming: No, I don't.

Mr. Shibley: And only then did it surface through the auspices of Mr. Nastich's commenting upon it, is that right?

Dr. Fleming: I think so.

Mr. Shibley: You have no explanation for the deferral of that submission to the commission?

Dr. Fleming: No, I have not.

Mr. Shibley: ^{have} Do you know what, if anything, was conspiring during the period April 10 to June 29, referable to the decision making respecting the Head Office?

Dr. Fleming: I take it that the decision making went on at the commission table, Mr. Shibley, and --

Mr. Shibley: Well, I am taking it that the decisions were taking place..

Dr. Fleming: Yes, I think ^{they were} ~~where~~ -- elsewhere.

Mr. Shibley: Well, I will let the committee reach its own conclusions in that respect ~~as~~ but I am ^{leading} ~~leading~~ evidence as to wherever it may have been made. At the moment, doctor, I would like to know whether you know of any circumstance ~~as~~ or were aware of any circumstance as to the deferral of consideration of the April 10 memorandum until June 23?

Dr. Fleming: No, I don't know.

Mr. Shibley: It has been mentioned that there was a strike in Hydro and that's the only reason I have heard to this point of the hearing.

Dr. Fleming: There was ~~not~~ a strike, or awfully close to a strike in ^{Hydro} ~~Hydro~~ at that point, yes. Normal operations were a bit mixed up, I think, to say the least.

Mr. Shibley: Yes, Would that labour problem affect such people as Mr. Candy?

~~Mr.~~ Dr. Fleming: Well, only indirectly, I think.

Mr. Shibley: Or Mr. Mink?

Dr. Fleming: I don't know Mr. Mink at all, but I certainly know that their supporting staffs would be involved.

Mr. Shibley: I see, so do you accept the explanation that the threatened strike and the labour ~~problems~~ problems were the reason and the only reason for the deferral of that submission to the commission?

Dr. Fleming: Yes, I would accept that, I think.

Mr. Shibley: You know ^{of} nothing else?

Dr. Fleming: I know of no other reason.

Mr. Shibley: All right, ~~Now~~ ^{then} do you confirm what it seems all other commissioners have stated that during the meetings of June 29, ~~and~~ July 12 and July 19, the only documents provided to the commissioners was the memorandum ^{of June 23?}

(H-575 to follow)

June 19/73
9:30 - 9:35 pm.
M.S.

(Mr. Shibley)

~~July 19 and the only documents provided to the Commissioners
was the memorandum of June 29~~

Dr. Fleming: Yes, I think that's right. I think Mr. Nastich, on June 29, did review ~~with~~ the Commission some of the content of the April 10 submission.

Mr. Shibley: Right.

Dr. Fleming: I do know that Mr. Nastich⁶ raised his questions.

Mr. Shibley: Yes.

Dr. Fleming: It's been admitted that, at his behest, I think, Mr. Dean analyzed his complaints, which were the chairman, the general manager and the assistant general manager - services, for their perusal. And during the meeting of July 19, when the final decision was taken, the Commission was made aware - and by whom I'm not sure - but during the conduct of that meeting I think the Commission was made aware that Mr. Dean had, in fact, answered the questions raised by Mr. Nastich in a satisfactory manner.

Mr. Shibley: When Mr. Nastich raised these problems at the meeting of June 29, did he raise them in terms similar to that of his memorandum? Using terms such as "ingenious" and so on?

Mr. Genest: Well, could the witness have the memorandum, Mr. Shibley?

Mr. Shibley: I think the witness probably knows them by memory, but I'll dig it out if you like.

Mr. Genest: Well, you're assuming that everybody connected with the Hydro has been doing nothing but reading your transcript, Mr. Shibley.

Mr. Shibley: Well, the witness has already said, Mr. Genest, that he has read the transcript, or been in attendance, and has read the documents.

Dr. Fleming: I have seen the documents and read them. What's in them now, I can't recite them for sure.

June 19/73
9:30 - 9:35 pm.
M.S.

Mr. Shibley: Well, in the July 29 memorandum,
Mr. Nastich ---

Mr. Chairman: What is the Exhibit number?

Mr. Shibley: Exhibit 78.

Mr. Chairman: 78.

~~Mr. Fleming: Yes, I'm referring to Mr. Shibley's~~

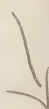
Mr. Shibley: I'm referencing in particular paragraph 3, doctor. "The validity of pro-rating the estimated capital costs of the building from the four developers to come to an ostensibly standard comparison on annual cost per square foot. I do not have the details of the method by which this was done. I think it essential that the process be defensible to attack from disappointed developers." Did he express it in those terms to the commissioners at the meeting of June 29?

Mr. Denis: Well, I can't answer that question truthfully at this point. But I would say in those general terms.

Mr. Shibley: Did that not excite some anxiety on ~~your~~ your part and on the part of the commissioners?

Dr. Fleming: Yes, I suppose it did excite some -- I don't know whether "anxiety" would be the word. Certainly it caused us to, I think, think a bit about it. And I think these are the reasons that the ~~June 29~~ June 29 memorandum didn't, in fact, get final approval until July 19.

Mr. Shibley: Dr. Fleming, I put it to you that even the memorandum of June 29 required the pro-rating process to make Canada Square's bid competitive.

Dr. Fleming: Well, it required some pro-rating to get them on an equal basis. And I go back to Mr. Candy's recommendation and to his statements with respect to the original plan and the \$29 per square foot and the process of escalation which ~~was~~ 

June 19th, 1973

9.35 - 9.40 pm

H 576 - 1

AA

(Mr. Fleming)

and to his statements ~~and the fact that the original plan~~
and the \$29 per square foot ~~and the fact that the original plan~~
which he employed which brought it up to a building quality
of \$34 a square foot, and I think I was convinced that, in
fact, this is the quality of building that Hydro was after,
one that at the end of 30 years would be worth more than
a dollar to us.

Mr. Shibley: I realize that, but what I am driving
at, Dr. Fleming, is ~~that~~ this, fundamental to the selection
of Canada Square was the employment of the pro-rating process,
was it not?

Dr. Fleming: It would appear so, yes.

Mr. Shibley: That was very basic to that, right?

~~Mr. Shibley~~/Dr. Fleming: Yes.

Mr. ~~Shibley~~ Shibley: And here stood Mr. Nastich saying
to you, in terms of his memorandum of June 29th, "The ~~validity~~
validity of pro-rating, the estimated capital cost to come
to an ostensibly standard comparison, had to be examined
into."

Dr. Fleming: Yes.

Mr. Shibley: Now something as basic to the selection,
as you have now admitted to, and about which the senior
financial man was expressing himself in these terms, required
careful examination by the commissioners, would it not?

Dr. Fleming: I would think so.

Mr. Shibley: And I want to know to what extent that
examination was made.

Dr. Fleming: This was done in a very comprehensive
document by Mr. Dean.

Mr. Shibley: Did you ever see that document?

Dr. Fleming: I did not.

Mr. Shibley: Did you ever have it reviewed with
the commissioners?

June 19th, 1973

9.35 - 9.40 pm

H 576 - 2

AA

Dr. Fleming: Yes, I have already indicated, I think, that ^{at} the meeting of July 19th, the contents of it, were reviewed with us.

Mr. Shibley: By whom?

MDr. Fleming: By Mr. Gathercole, Mr. Gordon or Mr. Sissons, or perhaps a combination of the three. But we were assured at that meeting of July 19th that, in fact, the questions posed by Mr. Nastich, on June 29th, were satisfactorily answered.

Mr. Shibley: ^{What} ~~wasn't~~ I think the committee are interested in knowing is this, Did you simply have them say, ~~wasn't~~ Mr. Nastich's questions have now been resolved by a memorandum from Mr. Dean ^u without going into the memorandum ^a?

Dr. Fleming: No, as I recall it, the memorandum ^{wasn't} ~~wasn't~~ gone into in great detail, but it was high-lighted ~~down~~ to us.

Mr. Shibley: You say this was done at the meeting of July 12th, was it?

Dr. Fleming: The 19th, I believe.

Mr. Shibley: Well, what happened on the meeting of July 12th?

Dr. Fleming: I think Mr. ~~am~~ I don't know what happened on the meeting of July 12th actually, whether there was very much discussion, certainly no formal discussion I think, or very little formal discussion, on the building.

Mr. Shibley: But there was discussion of the building that day?

Dr. Fleming: Without knowing for sure, I would be quite certain that there would have been.

Mr. Shibley: And there was no discussion of the content of the Dean to Nastich memorandum then?

Dr. Fleming: I don't think so.

Mr. Shibley: You say that it was ~~discussed~~ discussed ...

June ~~22nd~~ 19th, 1973

9.35 - 9.40 p.m.

H 576 - 3

AA

Dr. Fleming: I am sure it was on the 19th.

Mr. Shibley: On the 19th. Would there be any reason to defer outlining its content until the 19th when it was prepared? ~~on the~~ —

Dr. Fleming: I am not sure - I really don't know this, but I am not sure that it had been reviewed by the three gentlemen whom I have mentioned by July 12th.

Mr. Shibley: When did they review it?

Dr. Fleming: I ~~under~~ understand ~~that~~ the day before ~~on the~~

Mr. Shibley: On the 11th?

Dr. Fleming: No, like the 18th.

~~Dr.~~ Mr. Shibley: On the 18th?

Dr. Fleming: I ~~was~~ understood that.

Mr. Shibley: Is that right? OK. And in any event, that is the extent of the examination into those questions? Is that right?

Dr. Fleming: Yes.

Mr. Shibley: Now, Dr. Fleming, with respect to the abandonment of the original plans, you have already said you were aware that the original intent was ~~to~~ simply to defer, ~~and~~ not to abandon.

Dr. Fleming: Yes.

Mr. Shibley: And yet you have heard the other commissioners say that there was no discussion directed to the ~~abandonment~~ abandonment of the plans as such. Is that correct?

Dr. Fleming: Well, I think it was implicit, ~~when~~ ^{arrangement} when the commission opted to negotiate for a lease-purchase, ~~that~~ ^{that} the old plans were abandoned. Now ~~apparently~~ ^{surely}, I think somewhere along the line the old plans were mentioned, but ~~about~~ for a variety of reasons.

H 577 - 1 follows

June 19/73
9.40 to 9.45 pm
fvk

RR

Dr. Fleming)

~~the old plans were mentioned but for a variety of reasons.~~

Mr. Shibley: I understand that Mr. Gordon was very concerned about the cost that had been ~~incurred~~ incurred for those plans and had earlier ambitions to salvage part of them.

Dr. Fleming: I think that's a perfectly understandable motive.

Mr. Shibley: Yes, I agree. I'm curious to know why the other commissioners have said that there was no consideration of the question of their abandonment, that it just happened coincidentally as part of the decision to do a lease-purchase.

Dr. Fleming: I can't answer for the other commissioners.

Mr. Shibley: Were you ever made aware of the circumstances^{an} of an inquiry made to Canada Square to do a lease-purchase on the original plans?

Dr. Fleming: I think that I have to say that somewhere along the line, and please don't ask me when, as I did ~~hear~~^{hear} that Canada Square had sort of declined to do a lease-purchase on the existing plans.

Mr. Shibley: Did you, or any other commissioner, suggest that those plans should be submitted to other developers who might be interested?

Dr. Fleming: I didn't.

Mr. Shibley: Were you ever told by anyone, including Mr. Gathercole, that there were other ~~building~~ builders who might be doing a lease-purchase on that original set of drawings?

Dr. Fleming: I don't honestly know the answer to that one either. I can't recall any specific mention of other builders. I certainly believe that there were other builders around who were capable of it.

Mr. Shibley: I take it that you, as well as the other commissioners, have said that the decision to change plans was predicated on the functional and other changes that Mr. Candy outlined. Is that correct?

M Dr. Fleming: Right. Changing conditions in the three

June 19/73
9.40 to 9.45 pm
fvk

(Dr. Fleming)

or four ^{year} interval.

Mr. Shibley: And you were never told that the first time an altogether different design was considered was at August 25, 1971, when Canada Square said they wouldn't do a lease-purchase original on the ~~original~~ plans?

Dr. Fleming: I don't think so. ~~I have~~ I have no recollection of that.

Mr. Shibley: I see. Now, Dr. Kennedy, you heard Mr. Seguin

M Dr. Fleming: I've been called Dr. Kennedy before. It's all right.

Mr. Shibley: Dr. Fleming, I'm sorry.

Mr. Genest: "Colonel" Fleming!

Mr. Bullbrook: We needed that.

Mr. Shibley: Dr. Fleming, ^{you} referenced a meeting on ~~SE~~

September 1?

Dr. Fleming: Yes, I did.

Mr. Shibley: What is your recollection of that?

Dr. Fleming: I think much the same as Mr. Seguin's and Mr. ~~Gatkinson~~ Danis'. I was there. Mr. Seguin mentioned the fact that he had received a letter. I do not recall that he identified either the content in particular terms nor the source of the letter to us. ~~That~~ ^{THAT,} if you like, ^{THERE WAS} an unhappy developer.

Mr. Shibley: Dr. Fleming I want to be clear on this. I gather that the meeting at nine o'clock, which preceded the regularly scheduled meeting at nine-thirty, was specifically convened to consider the communication to Mr. Seguin that he referenced?

M Dr. Fleming: As I recall it, yes, that's true. Whether it took place at nine in the morning, before the regular meeting, ~~my~~ or whether it took place at the close of the regular meeting, I'm not clear. The commission does, on occasion, meet

June 19/73
9.40 to 9.45 pm
fvk

(M Dr. Fleming)

privately in the chairman's office either before or after a meeting if there is ~~something~~ some matter of some confidentially ^{IT} that needs to be discussed.

Mr. Shibley: But the topic was not something coincidental to the ordinary business of the regularly scheduled meeting. Is that correct?

Dr. Fleming: That's right.

Mr. Shibley: It was not an aside in the ordinary business meeting?

Dr. Fleming: No. No, it was not.

Mr. Shibley: It was very specifically arranged to.....

(Tape H-578 follows)

June 19, 1973
9.45-9.50 p.m.
M.F.

H - 578 - 1

(Mr. Shibley)

is that correct?

Dr. Fleming: That is right.

Mr. Shibley: It was not an aside in the ordinary business meeting?

Dr. Fleming: No, it was not.

Mr. Shibley: It was very specifically arranged to deal with that one topic. Is that correct?

Dr. Fleming: That is right, as far as I recall it, yes.

Mr. Shibley: Now then, having regard for the complaint that was outlined in Mr. Smith's letter to Mr. Seguin, and I appreciate that you weren't permitted to read the letter nor even to know the identity of the author at that time, and having regard for the time -- you are now at the 1st of September, still before the completion of the transaction with Canada Squared. What if anything did you do to check out the complaint that there had not been a fair competition?

Dr. Fleming: Only the assurance of our people that all had been fairly and equally dealt with.

Mr. Shibley: Now when you say "of our people" to whom are you referring?

Dr. Fleming: The management people, the senior management people, and I can't again be specific as to time or place but throughout the negotiation it was emphasized to us - and I had no reason to doubt otherwise - that developers had been equally dealt with.

Mr. Shibley: Now, when you say senior staff - first, do I take it that Mr. Gathercole made you that assurance?

Dr. Fleming: Yes, and I think we also got the assurance, not on any specific point, but during the June 23rd of June 29th, or July 19th period, we had assurance from Mr. Candy, Mr. Sissons, probably from Mr. Gordon, but certainly from Mr. Candy and Mr. Sissons, that in fact to the best of our

H - 578 - 2

(Dr. Fleming)

ability, or their ability, people had been equally dealt with.

Mr. Shibley: I realize you had that assurance at June and July, but this communication of Mr. Seguin's was on the 1st of September.

Dr. Fleming: Yes, that is right.

Mr. Shibley: Did you have similar assurances from these people subsequent to the time that Mr. Seguin alerted you to the circumstance that one developer at least was saying he hadn't had a fair shot at it?

Dr. Fleming: I can't honestly say that I went and checked again. I still preferred to, I still ^utrusted and I still do trust, the integrity of the people in our management team, and I chose to take their word, to accept — I chose to believe that it was as I had been told.

Mr. Shibley: Now, Dr. Fleming, I want the committee to be clear on this. Did you believe that all four developers had an equal amount of time to prepare their submissions?

Dr. Fleming: As far as I knew, within a matter of a few days, and I think somewhere I got the idea that there may have been a period of four or five days of variation in contact with various ones but in general terms, yes.

Mr. Shibley: Did you also believe — and I am talking throughout the period right up to November, 1972, and when I ask you these questions — did you also believe that each of the four developers had received the same assistance respecting plans for the original building?

Dr. Fleming: So far as I knew, yes.

Mr. Shibley: Did you also believe that each of the four developers had received the same assistance by way of comments and suggestions from Mr. Candy as to what Hydro was looking for?

June 19, 1973
9.45-9.50 p.m.
M.F.

H - 578 - 3

Dr. Fleming: Yes, so far as I knew.

Mr. Shibley: And did you also believe that all four developers had the benefit of the form of documentation for a lease-purchase transaction which Hydro was anticipating it would enter into?

Dr. Fleming: Yes.

Mr. Shibley: You have now heard the evidence before this committee that such ^was not the case, is that correct? ~~And your present understanding therefore does not accord with your understanding as of~~

Tape H - 579 follows

June 19/73

9:50-9:55 pm

C.B.

(Mr. Shibley)

~~was not the case. Is that correct?~~

Dr. Fleming: That's correct.

Mr. Shibley: And your present understanding, therefore, does not accord with your understanding as at the time you participated in deciding upon who should have this contract?

Dr. Fleming: The time I took part in making the decision, I acted on the basis of the information which I had.

Mr. Shibley: Which was different than what is before this committee: Is that correct?

Dr. Fleming: That is right.

Mr. Shibley: Now Dr. Fleming, at any time did you ever participate in, overhear, observe any document, or in any way receive any information to ^{the} effect that the relationship or friendship between Premier Davis and Mr. Moog in any way influenced anyone respecting the decisions affecting the head office building?

Dr. Fleming: Absolutely not.

Mr. Shibley: Nor that the ~~circum~~ circumstance that Mr. Moog or any of his companies was a supporter of any particular party had ~~anything~~ anything to do with their deliberation?

Dr. Fleming: None whatever.

Mr. Shibley: You know that Mr. Gathercole and Colonel Kennedy have referenced some memory of a comment in this respect. Do you know anything about any such comment?

June 19/73

9:50-9:55 pm

C.B.

Dr. Fleming: That is one of the ones that is horribly mixed up in my mind right now. But prior to the ~~xxx~~ last couple of months, no, I can't recall any comments.

Mr. Shibley: That answer requires some clarification, doctor.'

Dr. Fleming: All right.

Mr. Shibley: ^{When} You say it's mixed up, ^{what} is mixed up?

Dr.

Ms. Fleming: Simply the amount of information that I have read, both by way of Hansard and by way of the press, since this select committee was established. It has got me to the point where I scarcely know what I know for sure.

Mr. Shibley: All right, doctor. I'd ask you to make this effort, to wash your thinking, to the extent possible, ~~of~~ ^{for} information you've ~~gleaned~~ ^{learned} from this hearing, and go back to your mental status as it was before the hearing, ^{As} at the time preceeding the communications received in the manner you've indicated, ~~Had~~ you any knowledge or information referable to any such communication?

Dr. Fleming: No, I had not.

Mr. Shibley: Do you have ~~any~~ anything to say respecting the suggestion in the evidence by Mr. Brooks that he received a call from someone who he initially identified as someone from Hydro and later said he couldn't know for sure?

Dr. Fleming: I have no knowledge of anything Mr. Brooks said at all.

June 19/73
9:50-9:55 pm
C.B.

Mr. Shibley: I've been asked to ask you, ~~doctor~~. You've heard the evidence of previous commissioners, that the only time there was a consideration of Hydro employees who would be affected by the contracting out of maintenance was subsequent in point of time to the ~~Quaker~~ decision to make the lease-purchase agreement. Do you agree with that?

Dr. Fleming: Yes, I think I do. But prior to the actual signing of the ~~contract~~.

Mr. Shibley: But it was after the decision to do it.

Dr. Fleming: Yes, I would think so.

Mr. Shibley: So that consideration did not enter into the thinking of the commission as to whether or not it should ~~use~~ make a lease-purchase transaction?

Dr. Fleming: No, I don't think so.

Mr. Shibley: Nor was the circumstance of the effect of fluctuation in exchange rate discussed at a commission meeting. Is that correct?

Dr. Fleming: That's right.

Mr. Shibley: I have no further questions.

Mr. Chairman: Are there any other questions of Dr. Fleming? Mr. Renwick.

Mr. Renwick: ~~Mr. Chairman~~ Dr. Fleming, I want to ask you relatively the same questions I've asked the other~~s~~ commissioners. Did you have any understanding or assumption in your mind at the meeting at June 29 and July 19, 1972, that the approval of government was required or had been obtained, or that discussions had taken place with the government?

June 19/73
9:50 - 9:55 pm
C.B.

No,

Dr. Fleming: I had no basis for belief that approval was necessary.

Mr. Renwick: Was it a consideration in your mind at that time one way or the other?

Dr. Fleming: No, I don't think it was at all.

Mr. Renwick: Did you have any previous discussion with the chairman about any discussions, he may have had with Mr. McKeough or other members of ~~the~~.

~~Mr~~ Dr. Fleming: Yes, I was aware of that.

Mr. Renwick: Well, what were you aware of?

Dr. Fleming: That Mr. Gathewole and Mr. McKeough had talked on a .

H 580 to follow

June 19/73
9.55 - 10.00 p.m.
R.E..S

H-580 - 1

(Mr. Renwick)

~~What were you aware of?~~

Dr. Fleming: Well, I was aware that Mr. Gathercole and Mr. McKeough had talked on a trip. I know, or I am relatively sure, that the chairman in the normal course of conversation with the minister responsible for Hydro at that time, I believe, the Minister of the Environment, was aware of our thoughts.

Mr. Renwick: Have you any other recollection or assumption on which you were acting at that time about the discussions with government?

Dr. Fleming: NO.

Mr. Renwick: Would it be fair, Dr. Fleming, to say that your attitude toward the informal meeting discussion about the letter to Mr. Seguin from Ellis-Don was that it was just a complaint from an unsatisfied proposal for the scheme?

Dr. Fleming: Well, I don't know whether I'd really go quite that far or not. I realized, I think, that and keep in mind that I, at that time, knew neither whom the letter was from nor what its real content was.

Mr. Renwick: But you didn't think it was sufficiently important to press Mr. Seguin to disclose who it was from

Dr. Fleming: No, I didn't.

Mr. Renwick: ^{wick} or to review it in more detail?

Dr. Fleming: NO.

Mr. Renwick: And is ^{your} ~~is~~ recollection the same as the other commissioners' that the only persons in attendance at that informal meeting on ~~September~~ September 1 were ~~the~~ yourself and your fellow commissioners?

Dr. Fleming: That's right.

Mr. Renwick: Thank you.

~~Dr. Fleming: UP About five minutes~~

Mr. Chairman: Any other questions to Dr. Fleming?
Well, Dr. Fleming, thank you very much for your

June 19/73
9.55 - 10.00 Op.m.
R.E.S.

H0580 - 2

(Mr. Chairman)

assistance, sir.

Dr. Fleming: I'm disappointed in the left side of the table, Mr. Chairman.

Mr. Chairman: Well, I think Mr. Shibley covered most of it.

Dr. Fleming: Thank you.

Mr. Chairman: Don't encourage anybody!

Are you the ~~only~~ one who asked for five minutes?

Mr. Walker: I'm the one who asked for five minutes.

Mr. Chairman: I'm afraid at this hour maybe we should just keep going eh? ~~We'll~~ We'll excuse you for five minutes.

Let's keep going a little longer. Yes. Mr. Shibley? I think we could go till 10.30 anyway. The House is still going.

An hon. member: We can go concurrently.

Mr. Shibley: I'd like to recall Mr. Gathercole.

Mr. Bullbrook: I can verify the House is going.

I just went up and spoke

Interjections by hon. members.

Mr. Genest: ^{With} The usual preparation?

~~M. Bullbrook~~ That's right.

Mr. Shibley: ~~There are~~ there are two transcripts of Hansard that will prove you are a split personality

Mr. Gathercole, I think it ~~may~~

Mr. Chairman: I would just like to remind Mr. Gathercole, as I've done so many times before, that he is still under oath.

Mr. Shibley: Mr. Gathercole, I think it appropriate to ~~recall~~ recall you immediately to comment upon the meeting of

June 19/73
9.55 - 10.00 p.m.
R.E.S.

H-580 - 3

(Mr. Shibley)

September 1, 1971, to which reference has been made by Mr. Seguin and other members of the commission. And I want, in fairness to you, before I ask you any ^uestions, to read to you from the transcript of your earlier testimony. And I am reading at Hansard, tape 181, page one.

"I had earlier read to you the memorandum following Roger Seguin's comments at a recent meeting, etc., and I asked you: "Let me start by asking you, when was the commission meeting which is referenced in this memorandum?"

"Mr. Gathercole: I ~~don't~~ believe it was in the early part of September. At the commission meeting, Mr. Seguin referred to a letter he had received from a contractor expressing some unhappiness that he hadn't been given more consideration in the matter of his proposal to Ontario Hydro for erecting Hydro's administration building.

"Mr. ~~Shibley~~ Shibley: Was that raised by Mr. Seguin during the course of the ^{meeting} ~~meeting~~?"

"Mr. Gathercole: Yes, it was.


"Mr. ~~Shibley~~ Shibley: And was the topic recorded in any minute of any such meetings?"

"Mr. Gathercole: Not as far as ^{I'm} ~~now~~ aware, it wasn't. I have no ~~for~~

"Mr. Shibley: I must tell you I have not received an excerpt from your minutes which reflect that.

"Mr. Benest: Mr. Shibley, I ^{have} ~~have~~ searched them and there is no record.

"Mr. Shibley: Thank you.

"Mr. Gathercole: It was something of an aside. We were at this time on the subject of the head office building and the negotiation of the 

(Tape H-581 - 1 follows)

June 19, 1973
10.00-10.05 p.m.
M.F.

H - 581 - 1

(Mr. Shibley)

~~We were at this time on the subject of the head office building~~
~~and the negotiation of the contract with Canada Square had~~
come up. Mr. ~~S~~^guin said that he had received this letter
indicating some protest and ^{THAT} he thought we ought to be very
clear as to the calculations and the facts with respect to the
arrangements with Canada Square to make sure that we were
arriving at a businesslike arrangement.

"Mr. Shibley: And you say he told you of a letter he
had received from a contractor. Did he tell you which
contractor that was?

"Mr. Gathercole: No, he didn't.

"Mr. Shibley: Did he produce that letter to you?

"Mr. Gathercole: No, subsequently, before we were
proceeding to lunch ^{THE} we had some outside ^{MEETING} commission ~~was~~. He did
raise the subject again and simply repeated the remarks that he
had made at the commission meeting, but didn't disclose who the
contractor was, or the letter, which was marked "confidential."
This is Mr. Gordon's response to the subject being raised at
the meeting."

"Mr. Shibley: Mr. Gathercole, you heard the
previous witness, to whom I put the question quite explicitly
that this was not an aside at a regular meeting but rather was
a topic raised at a pre-meeting get-together, specifically
convened to consider the ^{LETTER} ~~subject~~ of complaint, and that accords
also with the evidence of other commissioners. Now I would
like you to reconcile your evidence that I have just read to
you, "It was something of an aside, we were at this time on the
subject of a head office building" and so on, and your earlier
evidence, which indicates that ^{IT} ~~was~~ in the course of a commission
meeting raised as an aside, at which this matter was dealt with
the evidence that the other witnesses have tendered.

Mr. Gathercole: Mr. Shibley and gentlemen, I find it
difficult to recall the exact sequence of events which transpired

H - 581 - 2

(Mr. Gathercole)

nearly a year ago, and my recollection is that the first advice or information I had ^{of} this was when Mr. Seguin in my office said he had had this letter.

Now it may have been at a subsequent meeting, not at that meeting of September 1st, if that were the meeting, and I am not sure of that; it may have been at a subsequent meeting that he did raise this subject. Now my interpretation was it was ~~more~~ more of an aside, but I do know that either on September 1st or thereabouts it was in my office that he did, with the commissioners there, say that he had received this letter from someone who had communicated to him his dissatisfaction with the process that had been undertaken in his tendering for this development project.

Now whether in my initial evidence, as you have read, I said it was at a meeting that he did raise the sub^ject and subsequently he dealt with it further in a meeting in my office. I now accept that the situation was reversed, but he must have raised it in some manner in an aside at a commission meeting. WISLEY: But I remind you that the letter of Mr. Smith to Mr. Seguin is dated August 21, 1972, which would only be 10 days prior to the September 1st meeting.

Are you suggesting that the letter was received by Seguin ^{AND} raised with you as an aside in some comment in the interval between August 21

Mr. Gathercole: No, I am not, no.

~~Mr. Spibley: Was the one and only time it was raised with you on the same day~~

Tape H - 582 follows

June 19, 1973
10-05-10.10p.m.
B.A.

A-582 - 1

~~Mr. Gathercole:~~ ^{Was} Mr. Shibley the one and only time it was raised with you on the same day that the commissioners met in your office?

Mr. Gathercole: Yes, ~~the other commissioners~~ I do know he mentioned the subject to me, and he had indicated to me that he had a matter that he would like to discuss with myself and ~~the~~ the commissioners, and we met in my office.

Mr. Shibley: Just to clear that up, then, it was not in the course of a meeting, as you originally ~~stated~~ stated?

Mr. Gathercole: ^{If} The other commissioners say it wasn't at the meeting on September 1, the introduction of this topic must have been in my office, and that is as I recall it, that he did mention the subject in my office and that is the recollection I have. But whether he mentioned it at the meeting or not,

Mr. Shibley: The significance, Mr. Gathercole, of the difference in the testimony is that the other commissioners suggested this was the whole point of a 9 o'clock meeting preceding the regular commission meeting.

Mr. Gathercole: That may have been on ~~the~~ their part but, Mr. Shibley, it wasn't on my part. ~~the~~

Mr. Shibley: They considered the matter to be of ~~a certain~~ special significance, did they not?

Mr. Gathercole: They may have discussed it among themselves, but I had no advance knowledge of it,

Mr. Shibley: But it wasn't an incidental topic, was it?

Mr. Gathercole: It wasn't to Mr. Seguin, and after he raised the subject it wasn't, I think, to any of the rest of us, the other commissioners.

June 19, 1973
10.05-10.10 pm
V.H.

Mr. Shibley: It was not?

Mr. Gathercole: NO, I wouldn't say it was.

Mr. Shibley: Was it an important matter?

Mr. Gathercole: Let me phrase it in this way: Mr. Seguin didn't disclose who was ~~the~~ ^{SENDER} of the letter nor did he disclose its contents.

Mr. Shibley: The letter is written in very strong terms. You have now ~~HEARD IT READ.~~

Mr. Gathercole: Yes, I agree.

Mr. Shibley: Do you not agree with me that it was a letter written in terms which would tend to excite the anxiety^Y of Mr. Seguin?

Mr. Gathercole: Yes.

Mr. Shibley: And do you not agree that that anxiety in turn would be communicated^{CA} by him to ~~the~~ ^{THE} meeting in your office on September 1?

Mr. Gathercole: He communicated^{CA} that feeling, yes, but he did not — I mean, you went over ~~the~~ ^{THE} letter in great detail. Mr. Seguin, to my recollection, didn't mention the contents of it other than to say that he had ~~received~~ ^{AND} this letter, from someone who was feeling dissatisfied, ^{AND} disappointed ^{AT} ~~the~~ ^{THE} PROCESS.

Mr. Shibley: I asked Mr. Seguin if he raised the question of the time allowed to each of the developers and he said that he was assured by you and subsequently by members of staff that each developer had had equal time to prepare and make a submission. Did you tell him that?

Mr. Gathercole: The advice that I had was that the various developers had submitted proposals and that they ~~were~~ ^{BEING} were ~~being~~ and had been analysed.

Mr. Shibley: No. You are not answering my question.

Mr. Gathercole: ~~by~~ by Mr. Candy.

June 19, 1973
10.05-10.10p.m.
B.A.

H-582-3

Mr. Shibley: Mr. Gathercole, you are not answering my question. Mr. Seguin said that when he raised the question of the time, made available to the four developers, he was told by you and subsequently by members of staff, that each had received the same amount of time, the same treatment. Did you tell him that?

Mr. Gathercole: That may have been his interpretation from the words that I employed, but I certainly presume that each of the developers had a full opportunity to make their submissions and to have them analysed and considered.

Mr. Shibley: Mr. Gathercole, you knew, as at September 1, 1972, of the various dealings that Mr. Candy had had with the Moog organization throughout 1971, did you not?

Mr. Gathercole: I knew that Mr. Candy was exploring the OISE building from the standpoint of gaining experience from it, but I was certainly not,....

(Tape H-583 follows)



June 19, 1973
10.10 - 10.15 p.m.
M.R.

(Mr. Gathercole)

RR

~~... OISE building from the standpoint of gaining experience~~
~~from it, but I was certainly not conversant with the number~~
of visits Mr. Candy had had or his examination of the plans,
or even of his forwarding or delivery of plans to Canada
Square.

Mr. Shibley: Did you not know that Canada Square
had had the plans as at August 1971 when Mr. Seguin raised
this problem in September of 1972? Did you not know it
then?

Mr. Gathercole: I didn't know that Canada
Square had plans, until perhaps a few weeks ago, that they
had been forwarded to Canada Square or Canada Square had
acquired the plans from Mr. Candy.

Mr. Shibley: Mr. Gathercole, you met with Mr. Moog
on November 22nd.

Mr. Gathercole: That's true.

Mr. Shibley: You had received the notes on logistics
of November 25th prepared by Mr. Sissons recommending that
you enter upon a transaction with Canada Square. Isn't
that right?

Mr. Gathercole: Yes. That's the ~~INFERENCE~~.

Mr. Shibley: And you knew that up until that time
there had been no dealing with other developers?

Mr. Gathercole: That's true.

Mr. Shibley: And you knew as of the end of
November that there had been extensive communication between
Canada Square and Mr. Candy?

Mr. Gathercole: I didn't know what the details
of the discussions were.

Mr. Shibley: I'm not asking you about the detail

Mr. Gathercole: ~~maybe~~ but I knew that we were studying
the OISE building from the standpoint of trying to ascertain
whether it would be an effective, useful model for the
means of Ontario Hydro acquiring a head office administration, but

June 19, 1973
10.10 - 10.15 p.m.
M.R.

(Mr. Gathercole)

that didn't mean that we were going to make a contract or an agreement with them.

Mr. Shibley: I understand that. By comparison, you also knew that the communications with the other developers had taken place in December and January. Isn't that so?

Mr. Gathercole: Yes, but I knew that there had been some discussions as well between Mr. Candy and Mr. Smith of Ellis-Don and there had been other references of individuals to Mr. Candy which I myself had made.

Mr. Shibley: Mr. Gathercole, just in summary, when Mr. Seguin raised this problem on September 1 that a developer was suggesting that there has not been a fair competition, citing chapter and verse as to why he was of that view, did you not have in mind at that time ~~that~~ the disparity of communications that you knew existed respecting Canada ~~Square~~ Square and the other three developers as at the end of 1971?

Mr. Gathercole: Mr. Shibley, I have no recollection of Mr. Seguin reciting from the letter in chapter and verse the contents of that letter. Now he did make, ~~very~~ very definitely, the point that ~~that~~ there was a very unhappy and dissatisfied contractor or developer.

Mr. Shibley: Did you not think it appropriate to tell Mr. Seguin, Well, in fact I have to tell you that during 1971 we were in communication with Canada Square. There was even a suggestion in November that we might deal with them and them alone "and so-on?" Did you not think that the problem he was tabling for your consideration and that of the other commissioners warranted that type of disclosure?

Mr. Gathercole: Well, ~~Mr. Shibley~~ Mr. Shibley, my answer to that is that I had proposed myself that we obtain proposals from other developers and that these should be given consideration in order that we ~~could have a meeting with them~~

June 19, 1973
10.10 - 10.15 p.m.
M.R.

(Mr. Gathercole)

arrive at a decision on it, and so I didn't go into the details of the assessment that was being made and the proposals made by the developers.

Mr. Shibley: Mr. Gathercole, I'll put it to you again. I ask you to be responsive to my question. Mr. Seguin convened a special get-together in your office on September 1, because he was concerned about the letter from Mr. Smith. Is that right?



H-584 to follow

June 19/73
10.15 - 10.20 p.m.
R.E.S.

H-584 - 1

(Mr. Shibley)

"...get together in your office on September because he
was concerned about the letter from Mr. Smith." Is that
right?

Mr. Gathercole: And he asked to meet on it; yes.

Mr. Shibley: Yes. ~~And~~ I've asked you, ~~whether~~
in light of the history of dealing, of which you were aware,
preferable to the Canada Square Corporation and referable
to the other three developers, did you not consider it
appropriate to bring that history to the attention of the
other ^{COMMISSIONERS} ~~commissions~~?

Mr. Gathercole: By ^{of} September 1, we had been
meeting on this for several weeks. Now, Mr. Seguin had not
been at a number of the meetings at which this matter had
been discussed but, nevertheless, we'd had discussions ⁱⁿ ~~at~~ the
~~xx~~ ^{And} commission meetings on this among senior management of
Hydro for a considerable period of time, ~~and~~ It was my
assumption that the commissioners, my fellow ~~commissioners~~,
were aware that we had been studying the OISE building as
a model and that we had also asked for proposals from others
which had been analysed and considered ~~x~~ by our technical staff.

Mr. Shibley: The fact is that ~~xx~~ you never did tell
Mr. Seguin or the other commissioners about the history of
dealing when this was raised in September?

Mr. Gathercole: Did I outline at that particular
time the history of ^{of me / of /} ~~going back~~ ^{to} ~~the OISE~~
building, my own personal visit to the OISE people?

Mr. Shibley: Yes.

Mr. Gathercole: I don't recollect what I said
on the particular occasion but it certainly was knowledge
among the commissioners that we had been exploring the
possibilities of obtaining a new head office ~~administration~~ ^{building}.

Mr. Shibley: Mr. Gathercole, the other commissioners
have all said that what they were told was that all of the
four developers whose submissions were compared in the briefs

H-584 - 2

Mr. Shibley

submitted to them had received equal treatment.

Mr. Gathercole: From ~~the~~

Mr. Shibley: Did you tell them that?

Mr. Gathercole: From November, December, the proposals that they made were subject to analysis by our technical people, Mr. Candy in particular, and by our financial people prior to that, who had reached certain conclusions.

Mr. Shibley: Did you tell the other commissioners they had received equal treatment?

Mr. Gathercole: Whether I did in so many ~~words~~, I have no recollection, in exactly those terms, but ~~the~~

Mr. Shibley: Whatever you said, was it intended to communicate that conclusion to them?

Mr. Gathercole: That may have been their interpretation ^{of} my remarks, that proposals had been considered, ^{had been} analysed and had been ~~be~~ considered from ~~x~~ four developers.

Mr. Shibley: And from what you said, ^{did} ~~had~~ you intend them to reach that conclusion?

Mr. Gathercole: Well, it was my presumption that, aside from the use of Canada Square as a model and to gain experience, that the four ~~proposals~~ developers in submitting their proposals had received full opportunity and a fair analysis and equal treatment.

Mr. Shibley: All right. I am not going to dwell on it further. There ~~is~~ is only one other thing I want to ask you ~~but~~ about while you are in the witness box.

You've heard the references to the report from Mr. Dean to Mr. Nastich of July 6 which intervened between the meeting of ~~June~~ the commission on June 29, ~~...~~

Mr. Gathercole: Yes.

Mr. Shibley: ~~...~~ when Mr. Nastich raised these three basic questions, and the meetings of July 12 and July 19, and ~~it~~ It has been said ~~x~~ by the other commissioners that the content of

H-584 - 3

(Mr. Shibley)

that report was reviewed by yourself, Mr. Gordon and Mr. Sissons. Is that correct?

Mr. Gathercole: That is correct.

Mr. Shibley: When did you review it?

Mr. Gathercole: We reviewed it with Mr. Dean ^{for} I did ^{on} I think it was July 18th.

Mr. Shibley: July 18. That would be the day before the commission meeting?

Mr. Gathercole: That is true, yes.

Mr. Shibley: And ~~you~~ did you in turn communicate ~~to the other commissioners at the meeting of July 18, the ...~~

(Tape H-585 p - 1 follows)



June 19/73
10:20-10:25 pm
PLG

Mr. Gathercole: That is true yes.

Mr. Shibley: And did you ~~in~~~~xxx~~ turn ~~xx~~ communicate to the other commissioners at the meeting of July 19 the import of that document?

Mr. Gathercole: Yes, I did.

Mr. Shibley: Did Mr. Gordon and Mr. Sissons contribute to that?

Mr. Gathercole: Yes, they did.

Mr. Shibley: I have no further questions, Mr. Chairman.

Mr. Chairman: Any of the committee members? Thank you very much, Mr. Gathercole. I saw Mr. Evans here a few moments ago. ~~Mr. Evans?~~ Mr. Evans? ~~Did he?~~

Mr. Genest: Just a moment. ~~Perhaps~~ I passed ^a message around to Mr. Shibley, ^{which I hope} ~~but on official~~ I don't have ^{to repeat to} ~~any further~~ ~~of the committee.~~ But perhaps I should —

Mr. Shibley: Would Mr. Evans be available first thing in the morning?

Mr. Genest: Yes, he will.

Mr. Chairman: Mr. Shibley and I have just had our heads together here. I am prepared to go longer. I know the hour is getting late. There is a limit to how long we can pay attention to business. Mr. Shibley is not anxious to start with Mr. Gordon at the present time because ^{he} feels we won't have enough time to deal with him and he would rather start with Mr. Evans again in the morning.

Mr. Shibley: I might tell the committee members that my intention is to be very brief with Mr. Evans and my next witness after that will be Mr. Smith of Ellis-Don. Following Mr. Smith I may be calling Mr. McAuliffe. I am not intending to call Mr. Gordon tomorrow.

Mr. Bullbrook: Before we adjourn, I was ^{going to} ~~trying~~ to raise in camera the question of where we ~~xx~~ are going from here, and Mr. Renwick ~~is~~ outside the committee did express to me some ~~reticence~~ reticence about any executive sessions and I concur with him now ~~that~~ I just wondered ~~that~~ because we are happily looking forward, Mr. Chairman,

June 19/73
10:20-10:25 pm
PLG

(Mr. Bullbrook)

to perhaps concluding the normal businesses of the Legislature this Friday and we all want to plan our other obligations. I am just wondering if we could decide ~~we~~ whether we want to sit ~~next~~ Wednesday, Thursday and Friday and then also, without disclosing anything ~~that~~ committee ^{Counsel!} ~~doesn't~~ doesn't want to disclose, what he might ^{predict} ~~suggest~~ to be the time element, recognizing that we jump in so often and ^{extend} ~~expand~~ it ourselves.

Mr. Shibley: Thank you for taking some of the responsibility, Mr. Bullbrook, but the situation at the moment, I don't mind outlining it to the committee. Tomorrow I want to deal with Mr. Smith and other people in his organization because I think it is important that that evidence fall hard on the heels of the evidence you have heard today. ^{There is} ~~the~~ evidence from that source that ^{is} ~~new~~ in terms of the transaction per ~~see~~ ^{we see} in addition to what you have ~~heard~~ heard. I may have to call Mr. McAuliffe and also Mr. Manthorpe, both being reporters, that may turn on the evidence preceding. When that is done, my hope was to then call one representative of each of the other two developers, Mr. Tatham for Yolles and Rotenberg, who unfortunately is available this week but will be away all of next at some kind of a convention, and Mr. ~~the~~ Zwig of Horizon. Having dealt with them, then I intended to deal with Mr. Moog's organization, calling Mr. Moog, ~~and~~ ^{Cole} Mr. ~~and~~ and I think one other.

Tape H 586 follows

June 19, 1973
10.25 - 10.30 p.m.
M.R.

(Mr. Shibley)

~~by Mr. Macy and Mr. Cole and I think one other~~

That would then complete the evidence of the developers. It also completes the non-financial people in Hydro, with the exception of Mr. Gordon whom I will fit in somewhere along the line. ~~Mr~~ I might say that Mr. Gordon's participation referable to this matter does not seem to have been all that great.

He is ~~the~~ ^{the} general manager, but he was managing a lot of things, and I can understand that he delegated most of this to Mr. Sissons and Mr. Candy, but I think he will be relatively short and only on some few points that have developed.

Having ~~then~~ completed the developers' evidence, I intend then to return to the financial people in Hydro. I'm not going to go through the whole history of the transaction. I think the sequence of events is now clearly established. What I want to ask each of them is to explain certain documents for which they were responsible, being relatively few in number but important, I have already made the selection of the documents at the time I exhibited them.

I want ~~me~~ to call Mr. Nastich and say "What did you mean when you said what you said in these documents" and I want to ask Mr. Cameron what he meant in the two memoranda and what, if anything, happened in the interval and so on.

So ~~that~~ they will be dealt with on specific matters. Having got their evidence in and having had the benefit of what the developers have to say about the efficacy of their particular proposals and any comments they may wish to volunteer on the proposal of the other developers, I will then consider the need to call Mr. Anson-Cartwright as the last witness.

Now, the way things have progressed today ~~can~~

Mr. Chairman: Procrastinated?

Mr. Shibley: ~~Reg~~ Progressed today, I am encouraged to think that we can now start to process a number of witnesses

June 19, 1973
10.25 - 10.30 p.m.
M.R.

(Mr. Shibley)

on any given day. You can see that the first part of the hearing took a lot of time because it laid down basic ground work. And that effort is now paying off in the sense we can go to documents and single out lines and say, "What do you say about that?" and so I think that we can move along fairly rapidly, subject to the committee members feeling that when we reach a particular point with a particular witness, as happens, you want to zero in on it but the other circumstance that ~~is~~ ~~impinges~~ impinges on it of course, is we have now had the benefit of what can be done in a full day.

We have been getting three-hour days, of which really we might get two and a quarter hours' worth of evidence. And then only three days a week up until last week, so that I'd like to agree with your suggestion that we sit longer and more frequently.

Now I realize Monday and Tuesday of next week are out, but my own suggestion is that we sit Wednesday, Thursday and Friday and we sit as long during those days as possible. I'm in your hands as to hours ~~of~~ ^{of} the day, but ~~tomorrow~~ tomorrow is Wednesday. We are going to sit all day, are we, Mr. ~~Chairman~~ Chairman?

Mr. Chairman: Yes, well, as far as tomorrow is concerned, no. ~~Just~~ I made a survey of the members ~~and~~ to see when we can get a quorum. We can have a quorum tomorrow morning and tomorrow afternoon. We can have a quorum three times on Thursday, morning, afternoon and night. And the present indication is no quorum on Friday, so I would propose that we meet Wednesday morning, Wednesday afternoon and all three periods on Thursday.

Mr. Shibley: Would you give us precise times then, Mr. Chairman? Wednesday - 9.30 to 12.00.

Mr. Chairman: 9.30 tomorrow to 12.00, if we are agreeable and then from 3.00 until 6.00.

June 19, 1973
10.25 - 10.30 p.m.
M.R.

Mr. Shibley: Right. And then, Thursday?

Mr. Chairman: Then Thursday, 9.30 until 12.00.

Mr. Shibley: Yes.

Mr. Chairman: 3.00 until 6.00 and 8.00 as long as we are able to ~~xxxxxxx~~ breathe.

~~There is a chance, I~~ suppose, I don't know what is happening up in the House, ~~but~~ we might be able to meet on Friday if the House is meeting.

Mr. Shibley: This Friday?

Mr. Chairman: This Friday. ~~Now~~.

Mr. Shibley: No, I can't.

Mr. Chairman: You are out, this Friday?

Mr. Shibley: Yes.

Mr. Chairman: All right. Well then I don't think there is any point in trying to meet Saturday. There is some suggestion the House might be meeting Saturday but let's not plan anything on Friday or Saturday.

~~Now~~ Some next ~~a~~ week the majority of us Monday and Tuesday are out because of the Queen's visit. For some who are ~~from~~ out of town she is visiting other cities and I think that includes you, ~~and~~ Gord Walker, what day are you? ~~at~~

Mr. Walker: Thursday.

Mr. Chairman: Are any others affected by the Queen's out-of-Toronto visits?

~~Well, the majority of us~~

Mr. Allan: ~~Kinda~~ Friday afternoon ~~a bit~~

Mr. Chairman: That would be the 29th?

Mr. Allan: Yes.

Mr. Chairman: Well then let's plan to meet ~~at~~ Gord, with your permission, you can get the transcript ~~on~~ on Wednesday and Thursday and Friday of next week, but just during the full days.

Mr. Bullbrook: Well, I don't want to temper ~~with~~ your

June 19, 1973
10.25 - 10.30 p.m.
M.R.

(Mr. Bullbrook)

zeal, but Mr. Allan did mention Friday the 29th. ~~Deputy~~

Mr. Allan: Well, I can, ~ up until the middle of the afternoon, but really it wouldn't be much in the afternoon.

Mr. Bullbrook: ~~Do~~ we just sit Friday morning?

Mr. Chairman: Well, all right. That's quite a way away and I'd like to ~~have~~ ^{have} a little flexibility at that time.

Mr. Bullbrook: We have to get home.

Mr. Chairman: And then the following week we, if we have to, go into it; I'd certainly like to get clean it up the following week.

Mr. Bullbrook: So would I, but then, since I've taken this ~~much~~ ^{much} of your time, I think we should again discuss it publicly, would it be your wish, Mr. Chairman, and the wish of the commissioners, after we've gotten the evidence, that we get down to business immediately and try to write the recommendations? ~~Yes~~

Mr. Chairman: I would hope so. I think that the questions we asked ourselves at the start of the meeting can give us a relatively good basis to write the report, and I don't necessarily think it will be a long report.

Mr. Bullbrook: So we can look forward to a ~~very~~

Mr. ~~Chairman~~ Chairman: Of course, I've made those predictions before!

Mr. Bullbrook: But we can look forward to something like this. ~~that~~ The obligations as far as evidence is concerned would take us ^{into} the first week of July and then perhaps some time, depending on our own efforts, after that time to write our recommendations.

Mr. Chairman: Well then we are adjourned until 9.30 tomorrow morning when we expect to commence with Mr. Evans.

The committee adjourned at 10:30 o'clock, p.m.

#22

LEGISLATURE OF ONTARIO

SELECT COMMITTEE

HYDRO HEADQUARTERS

Wednesday, June 20, 1973.

Morning session

587

APPEARANCES

Committee members:	J.N. Allan
	J.E. Bullbrook
	I. Deans
	M. Gaunt
	L.C. Henderson
	R.G. Hodgson
	W. Hodgson
	J.P. MacBeth (Chairman)
	W. Newman
	J.A. Renwick
	G.W. Walker
Clerk of the committee:	Paul Moore
Committee counsel:	R.E. Shibley, QC
Ontario Hydro counsel:	Pierre Genest, QC
	James McCallum, QC
Canada Square Counsel:	Douglas Laidlaw, QC
Counsel to J.D. Smith:	T.A. King, QC
Commissioner, Ontario Hydro:	D.A. Evans, MPP
President, Ellis-Don Ltd.:	J.D. Smith
Secretary-Treasurer, Ellis-Don Ltd.:	D.V. Grant

List of exhibits introduced during this sitting appears on last page.

LEGISLATURE OF
ONTARIO SELECT COMMITTEE - HYDRO HEADQUARTERS

H-587-1

June 20, 1973
9.50 to 9.55
M.T.

The committee met at 9:50 a.m., in ~~the~~^{the} members/ boardroom.

1
Mr. Chairman: Ladies and gentlemen, I call the meeting to order.

Mr. Shibley: Mr. Chairman, I would like to recall briefly Mr. Evans please.

Mr. Chairman: Mr. Evans, if you would please come forward.

Mr. Shibley: Mr. Evans, I want to refer ~~me~~ you to your previous testimony in Hansard, tape 539, page 2.

Mr. Genest: ~~Can~~^{Can} I find that ~~form~~^{for him}, Mr. Shibley?

Mr. Shibley: 539, page 2. At that time I was referencing the memorandum referable to Mr. Seguin and the rationale prepared as a result, and the following exchange ~~is~~^{was} made so that you understand what you said previously, I will read it ~~is~~^{is}:

"Mr. Shibley: Now then, there is a memorandum ~~an~~^{an} that you have heard read in this hearing, dated October 3, 1972, referencing comments by Mr. Seguin at a recent Commission hearing. And in view of that circumstance, a rationale was developed for the doing of a lease-purchase. What comments, if any, do you remember Mr. Seguin making and when were they made?

"Mr. Evans: There never was any. Mr. Seguin never mentioned anything at the Commission meetings.

"Mr. Shibley: Well, quite apart from a Commission meeting, have you ever heard Mr. Seguin make any comment that might give rise to the creation of a rationale, a document called a rationale, for the course followed..?

"Mr. Evans: Are you referring to a letter that we received?

"Mr. Shibley: Yes, or it may be what is referred to. Do you have any memory whatsoever of any comments made by Mr. Seguin?

"Mr. Evans: I remember him telling me that he received a letter from one of the contractors.

"Mr. Shibley: Yes. Just you personally?

June 20, 1973
9.50 to 9.55
M.T.

H-587-2

" Mr. Evans: No, I think he told the rest of them, too.

" Mr. Shibley: What was the occasion of this discussion?

" Mr. Evans: Well, I think it was just a casual meeting or when we were probably having ~~lunch~~ lunch one day, or something like that.

" Mr. Shibley: Would this be during a luncheon on a day of a Commission meeting?

" Mr. Evans: I would think it would be, because that is when Mr. Seguin came to Toronto. And the only time, I believe.

" Mr. Shibley: What is your memory ~~about~~ of what was said?

" Mr. Evans: Well, I think that — I believe it was ~~Ellis-Donx~~ Ellis-Donx where the letter came from. I can't tell you exactly what the letter ^{said} ~~said~~, ~~but~~ but I understand that he was disappointed or something at not getting the contract. I can't give you the details of the letter.

" Mr. Shibley: That's your best recollection of what was said?

" Mr. Evans: That's my best recollection. "


Now, Mr. Evans, you heard Mr. Seguin evidence yesterday evening, did you?

Mr. Evans: Yes I did — not in the evening, I heard it before dinner last night.

Mr. Shibley: Yes, and the gist of his evidence was that he arranged for ~~the~~ ² particular meeting at 9:00 a.m. in the Chairman's office designed to discuss this letter of complaint from Mr. Smith, and that was the specific topic for discussion ^{at} ~~this~~ this particular meeting. Having had your own recollection refreshed in that respect, do you agree that there was such a meeting convened at the instance of Mr. Seguin?

Mr. Evans: No, I wouldn't say that, I still think that it was sort of a casual meeting, I think it was still a luncheon, as I recall.

Mr. Shibley: I see. Mr. Seguin in addition said that this excited concern on his part, and having outlined ~~the particulars~~



June 20, 1973
9.50 to 9.55
M.T.

H-587-3

(Mr. Shibley)

some of the particulars of the complaints in the letter, he was assured ~~that~~ that all of the four developers had been dealt with equally. Do you remember any such exchange?

Mr. Evans: No, I don't remember any exchange like that.

Mr. Shibley: You don't?

Mr. Evans: No, I don't

Mr. Shibley: Well, what memory do you have of what was said?

Mr. Evans: Well, I think he said he had this letter from fellow by the name of ~~Smith~~ Smith, I think it was, from Ellis-Don; that he was upset because he didn't get the contract, ~~or~~ ^{or} wasn't really considered.

Shibley
Mr. Evans: Well, Mr. Seguin said he did raise the question of the limited time which ~~Smith~~ said he was ~~was~~ afforded to work ~~set up~~ up his proposal. Have you any memory of his raising that as a topic?

Mr. Evans: No, I haven't.

Mr. Shibley: And being told in reply that all contractors had the same amount of time to work up their briefs?

Mr. Evans: Well, I don't recall him saying that at that time, but I was under the impression that all the contractors had an equal chance.

Mr. Shibley: Were you of the impression by reason of things that were said at that meeting?

Mr. Evans: No, no.

Mr. Shibley: What created that impression in your thinking?

Mr. Evans: Well, ~~Smith~~ during the discussions that we had had, and ~~which~~ we had several discussions, ~~that~~ I was under the impression that all the contractors had an equal chance.

Mr. Shibley: Mr. Chairman, I have no further questions of this witness.

Mr. Chairman: Any of the members have any questions for

Mr. Evans: Mr. Gant.

June 20, 1973
9.50 to 9.55
M.T.

H-587-4

Mr. Gaunt: Mr. Chairman, a brief question: You may recall, Mr. Evans, that the meeting of July 19 did not ~~have~~ evidence anyone from the finance end of Hydro, other than the comptroller, who wasn't really involved in the finances related to the new head office proposal. Who would have the responsibility of drawing people from Hydro staff to that meeting? Who would set it up?

Mr. Evans: Well, I would say that the Chairman had the responsibility.

Mr. Walker: Just one question, Mr. Chairman, Mr. Evans, have you ~~ever~~ ever made a contribution to a political party?

Mr. Evans: I certainly have.

Mr. Walker: You're excused.

Mr. Chairman: Are you going to tell us which party?

I don't think there are any more questions, Mr. Evans, Thank you very much, ^{sir.} ~~OK~~

Tape H-588 follows



June 20th, 1973
955 - 10 2am
AA

H 588 - 1

(Mr. Chairman)

~~Mr. Chairman: I don't think there are any more questions are there? Thank you very much sir.~~

Mr. Shibley: Call Mr. Don Smith, please.

Mr. Chairman: Mr. Smith, will you give us your full name please?

Mr. Smith: James Donald Smith.

JAMES DONALD SMITH, Sworn

Mr. King: Mr. Chairman, for the purpose of the record, my name is T. A. King, Q. C., and I am appearing here as the private counsel to Mr. Smith, who is president of Ellis-Don.

Mr. Chairman: Fine, Mr. King, but if you are going to speak, you might pick up the microphone. We are not asking counsel for witness to speak, but if you feel that something of an unjust nature is being asked of your ~~client~~ client, don't hesitate to speak up, but it would be only under those circumstances.

Mr. King: Thank you Mr. Chairman. The fact that Mr. Genest has been using this microphone wouldn't affect anything that I say through the same microphone.

Mr. Chairman: ^{No,} I don't think it is contaminated, ~~but~~ you can use that microphone.

Mr. Genest: It would ~~possibly~~ certainly give it a strain of purity.

Mr. Shibley: Mr. Smith, what is your occupation?

Mr. Smith: I am president of Ellis-Don Ltd., general contractors.

Mr. Shibley: And do you have a proprietary interest in that company?

Mr. Smith: Yes, I own the majority of the shares.

Mr. Shibley: For what period of time has Ellis-Don been in the contracting business?

Mr. Smith: From 1951.

Mr. Shibley: And have you ^{personally} ~~personally~~ been connected

June 20th, 1973

9.55 - 10 am

H 588 - 3

AA

(Mr. Smith)

Mr. Smith: Yes, we ~~we~~ built the Standard Life out in Calgary and we did the Thomson building here. ~~and~~ We are doing one for CIL at the present time and another one which hasn't been announced; it will be announced tomorrow.

H 589 - 1



June 20/73
10.00 to 10.05 am
DT

(Mr. Smith)

~~and another one which hasn't been announced. It will be announced tomorrow.~~ We did the IBM building in London. We have done a fair number of offices. I can't recall them all.

Mr. Shibley: In gross volume, what was the volume of construction undertaken by your firm in each of the years 1970, 1971 and 1972?

Mr. Smith: I think it is approximately \$75 million each year. The volume has been very consistent the last three years.

Mr. Shibley: And relatively ~~big~~ speaking, I am thinking of relative to other contracting firms, how does your firm compare?

Mr. Smith: I am not sure. I know that there are one or two bigger than us but nobody ~~really~~ really tells their actual volume when somebody is asking how big ^{they} ~~are~~ are. I think we are about second or third or fourth, something like that, in Canada.

Mr. Shibley: You are second, third, or fourth in Canada?

Mr. Smith: Probably third ~~or~~ or fourth really.

Mr. Shibley: In the country?

Mr. Smith: I think so.

Mr. Shibley: All right. In terms of management of buildings, had your firm, prior to 1972, any experience in the management of office buildings?

Mr. Smith: Well, we built a small office building worth about \$300,000 for IBM in London. Now we built it and owned it and rented it to IBM, ~~and~~ it was only small, and they asked us if we would do another one for them in London, ~~but~~ we didn't take it on at the time. We didn't want to do it because we were too busy. Pilkington Glass asked if ^{us} we would build them a building and rent it to them up on Keele Street. Now it was only about \$2½ million, and we purchased the land for ourselves, ~~and~~ designed the building, ~~and~~ built the building and rented it to Pilkington and subsequently sold it to Manufacturers' Life. Now,

June 20/73
10.00 to 10.05 am
DT

(Mr. Smith)

Pilkingtons want ~~x~~ us to do some more work for them on the same basis.

Mr. Shibley: That was a building that you actually developed ~~as a~~ ^{as a} developer?

Mr. Smith: We did everything on that, ~~we~~ bought the land and developed it ~~we~~

Mr. Shibley: But you didn't follow through in terms of continuing to manage the building; you sold it off to a life company. ^I Is that correct?

Mr. Smith: It was rather advantageous to sell it, so we did so.

Mr. Shibley: So you sold it. In terms of a building of the magnitude of the Ontario Hydro ~~the~~ Head Office building, which was in contemplation ~~we~~ I am now talking of a building in excess of a million ~~rentable~~ rentable square feet, had you any experience in the development and management of that type of building?

Mr. Smith: No, we had never managed one of that magnitude. No.

Mr. Shibley: In respect of your proposal to do this job, you formed ~~for~~ for a short time a ~~partnership~~ partnership with Sifton Properties Limited to tender on this job. ^I Is that correct?

Mr. Smith: Yes, that is right.

Mr. Shibley: What was the reasoning behind that?

Mr. Smith: It was purely ~~we~~ I was trying to think how they might ~~we~~ you know, if you have got five proposals, how they might eliminate us, and I thought they might eliminate us because we didn't have management experience, ~~we~~ I considered talking to other developer managers, and I considered talking to ~~and~~ and R and other people, ~~and~~ I ~~thought~~ thought it would be a selling point if we had someone in the development business working with us.

Mr. Shibley: In that connection, what experience does have Sifton Properties have referable to development and management ~~of~~ ^{of} buildings?

Mr. Smith: I don't know Sifton's volume. I don't

H-589-3

June 20/73
10.00 to 10.05 am
DT

~~(Mr. Smith)~~

have his financial statements, but he is probably the largest
developer manager in western Ontario. I know he does work in
Guelph and he does a lot of work in London. ~~He has got large~~
~~holdings where he built~~.....

(H-590 to follow)



June 20/73
10:05 - 10:10 am
CA

H-590-1

(Mr. Smith)

~~Quelph~~ And he does a lot of work in London. He has got large holdings where he builds and manages in London. Now I don't know his actual volume. He has an excellent reputation. ~~██████████~~
We didn't have any written agreement on this because we just had a handshake.

Mr. Shibley: Yes, I understand.

Mr. Smith: He is that type of person.

Mr. Shibley: I take it you consider^{ed} him to complement, by way of experience in development and management, whatever might have been lacking in that area within your own firm?

Mr. Smith: Yes, we thought he would be a definite asset to our proposal.

Mr. Shibley: Now just to clean up that topic; what ultimately happened in respect of the arrangement with Sifton and why did it happen?

Mr. Smith: I was very interested in getting the contract, because I am basically a builder, and I like to get as much work on ~~as~~ as I can, and I pursued the matter with Mr. Candy, and he said that the Hydro didn't like the idea of dealing with two people. So I subsequently wrote him a letter and said that we would be willing to do it alone.

Mr. Shibley: When did you have that conversation with Mr. Candy?

Mr. Smith: I can't recall, Mr. Shibley.

Mr. Shibley: Was it subsequent to the submission of your proposal?

Mr. Smith: Oh yes. But I mean I can't recall whether it would be two weeks after^{or} three weeks after ~~or what~~.

Mr. Shibley: At the time your proposal was submitted it incorporated provision for Sifton to provide the management aspects of the undertaking? Is that correct?

Mr. Smith: Yes. I think that I might have had the conversation with Mr. Candy just prior to writing that letter, because it would appear that that probably prompted ~~by~~ my letter to him.

June 20/73
10:05 - 10:10 am
CA

H-590-2

Mr. Shibley: You now know that in certain of the documentation and other evidence the fact that Sifton was dropped as a partner of yours was considered a negative factor in weighing your submission. Have you any comments to make in that respect?

Mr. Smith: Except ^{SIFTON IS} a little annoyed at me.

Mr. Shibley: Sifton is annoyed at you?

Mr. Smith: I don't think he really is, but it looked kind of funny that I ~~was~~ would drop him. But I phoned him and explained to him the situation.

Mr. Shibley: What you are telling the committee is you dropped him at the ^{INSTANCE} ~~instance~~ of Mr. Candy?

Mr. Smith: I dropped him because I thought it would be advantageous to us getting the job really.

Mr. Shibley: I see. It turned out to be the opposite.?

Mr. Smith: That's right. I think Sifton understood. I called him and told him that.

Mr. Shibley: Now then, Mr. Smith, when did you first discuss with anyone within Hydro the possibility of your firm being interested in a lease-purchase transaction for the new head office building?

Mr. Smith: July 20, 1971.

Mr. Shibley: On that day, what transpired?

Mr. Smith: Ian Stewart, who had the title of vice-president with us, and I met with Mr. Candy, and Mr. Candy mentioned ~~that~~ ~~they~~. I think that their borrowings were high, and they were considering a lease-back on an office building at the corner of University Avenue and College.

Mr. Shibley: The building that was under discussion at that time was which building?

Mr. Smith: The building under discussion was the one designed by Adamson and Shore and Moffat.

Mr. Shibley: That is the first set of plans that were ultimately abandoned. Is that correct?

Mr. Smith: Yes.

Mr. Shibley: And you were talking a lease-purchase

~~transaction rather than~~

H-591-1 follows

June 20, 1973
10.10-10.15a.m.
B.A.

~~(Mr. Shibley)~~

~~the first set of plans that were ultimately abandoned, is that correct.~~

~~Mr. Smith: Yes.~~

Mr. Shibley: And you were talking a lease-purchase transaction referable to that set of drawings?

Mr. Smith: Yes; ~~was~~ I just heard something behind me.

Mr. Genest: *Mr. Candy* said a lease-back, Mr. Shibley.

Mr. Shibley: Mr. Candy was very careful to point out that this type transaction is properly characterized as a lease-purchase transaction.

Mr. Smith: Lease-purchase.

Mr. Shibley: That ~~is~~ when you were in Yellowknife, Mr. Genest.

Mr. Genest: I read it.

Mr. ~~Sh~~ Smith: Mr. Candy asked/^{me} if I thought they could build this building, I believe for \$30 a square foot, and he said it might be running ~~at~~ I think we discussed costs at that time, and he said, ~~that~~ "Do you think it could be done, and of course you could look at the plans and we could make slight modifications to get the cost down to the thirties, which is done quite abt. And I said, I thought the job could be built for the \$30 if you could make some of these alterations. I had no suggest^{of alterations} because we had not seen the plans, ~~and he said that~~ ^{It} was casual conversation. He just said, "And we might sell you the present office building that Hydro are in". That was pretty well the exten^t of the conversation and subsequent to that ~~I went down and looked~~ I went down and looked through the present office building, and got prices on air conditioning, and so on. He said it wasn't opportune to go ahead ~~at~~ the present time, and that he would be back in

June 20, 1973
10.10-10.15a.m.
B.A.

(Mr. Smith)

touch with us, ~~and~~ I believe that is the extent of the conversation.

Mr. Shibley: Just going back for a moment.

This was a discussion on July 14?

Mr. Smith: July 20 I believe.

Mr. Shibley: July 20, yes, thank you.

Did he tell you on that occasion that the Hydro people were ~~examining~~ ~~depending~~ the basic structure of a lease-purchase transaction?

Mr. Smith : He talked about building this building on a lease-purchase, yes.

Mr. Shibley: Yes, and in that respect, when he said it was not opportune, what precisely did he say to you?

Mr. Smith: I think he ~~he~~ said it was not politically opportune and they would probably revive it after the election.

Mr. Shibley: I see. Was there anything more said in that connection?

Mr. Smith: Concerning putting it off?

Mr. Shibley: Yes.

Mr. Smith: Not that I recall.

Mr. Shibley: Can we take it then, Mr. Smith, that you felt the seed had been planted as between you and Mr. Candy at that time, that as and when Hydro revived its intentions to proceed with this building they would be in communication with you?

Mr. Smith: Yes.

Mr. Shibley: In fact, when you ultimately got back into the running, so to speak, to make a submission, did you initiate the communication with Hydro or did they initiate it with you?

Mr. Smith: I am sorry, I can't answer that because I don't know. Ian Stewart, who is in ~~the~~ Toronto, called me on a Friday afternoon, and said that Mr. Candy wanted to see us as soon as possible and when could I come down. I don't know

H-591-3

June 20, 1973
10-10 - 10.15a.m.
B.A.

(Mr. J.D.Smith)

whether Stewart called Mr. Candy or Mr. Candy called Mr Stewart, I don't know.

- Mr. Shibley: This was in what month?

Mr. Smith: This was in January, 1972.

Mr. Shibley: So ~~that~~ that there was no communication between you and anyone on behalf of Hydro during the period July 20, 1971, and early January of 1972?

~~Mr. Smith: I don't know whether, I would suspect that Mr. Stewart~~

(Tape H-592 follows)



June 20/73
10.15 - 10.20 a.m.
R.E.S.

H-592 - 1

(Mr. Shibley)

~~early January of 1972~~

Mr. Smith: I again don't know ~~whether~~ ^{would} I suspect that Mr. Stewart may have kept in touch with Mr. Candy to see what was happening. I don't have anything in writing or I don't know of anything.

Mr. Shibley: ~~All right~~ / Did Mr. Stewart ever report back to you at any time within that period ^{to a} that? Yes, I ~~am~~ now am informed that Hydro is moving ahead vigorously respecting plans for a new building, and ^{you} should get in there and develop a proposal?

Mr. Smith: No, no, there was nothing like that. Because when he called me on that Friday afternoon in January, it came as a bit of a surprise to me.

Mr. Shibley: What do you mean ^{by} it came as a ~~bit~~ surprise? Why was it?

Mr. Smith: Well, ^{I mean} he kind of said ^{that} they ~~wanted~~ ^{to} see us, and see us right away ~~and~~ ^{he didn't say,} something is coming up shortly. ^{"C"} He just said, ~~can~~ you meet us on Monday?" So I dropped ~~everything~~ ^{everything} on the following Monday and went down to meet them.

Mr. Shibley: Now that Monday was January 10, 1972, I understand.

Mr. Smith: That's right.

Mr. Shibley: And who was present at that meeting?

Mr. Smith: I think it was Stewart and myself, and ~~Jack~~ Jack Simms, our former secretary-treasurer, was there, it seems to me, I would say it was Stewart and myself, but I ~~was~~

Mr. Shibley: Who ^{is} ~~was~~ Stewart, by the way? Just what function ~~is~~

Mr. Smith: ~~Well~~ Ian was a chap who used to work for Northern Electric ~~and~~ they cut back on their whole building department and so we hired him as a kind of a person to go around and meet people and try to promote our services.

Okay.

Mr. Shibley: / So it would be in the ordinary course

June 20/73
10.15 - 10.20 a.m.
R.E.S.

H-592 - 2

(Mr. Shibley)

of his function that he would maintain communication with people like Mr. Candy.

Mr. Smith: That was the idea.

Mr. Shibley: to ascertain whether jobs were available?

Mr. Smith: That's right. He was not a builder ~~per se~~ per se.

Mr. Shibley: Yes, right. Now, then, there were either two or three from your firm at the meeting. Who from Hydro were at that meeting?

Mr. Smith: I think there was just Mr. Candy.

Mr. Shibley: Just Mr. Candy. And what was discussed at that time?

Mr. Smith: ~~They wanted to go~~ He said the old building was out and they wanted to go for a lease/purchase, a rental purchase on a new building and they were exploring it with the idea of seeing whether it was feasible to go that way or go out for tender or ~~the~~.

Mr. Shibley: Now, you ^{have} used the term "exploring". Would you please develop your understanding resulting from that meeting as to what was intended by Hydro respecting its ~~idea~~ ^{idea}.

Mr. Smith: Well, I thought at the time that he wanted to find out how much a building would cost that met certain specifications, ~~he~~ wanted to find out ~~what~~ the cost of money and see if that would be a better arrangement than doing it themselves.

Mr. Shibley: All right. Were you asked to make a submission?

Mr. Smith: Yes, we were asked to make a submission.

Mr. Shibley: And what were the terms of reference by which you were to prepare such a submission?

Mr. Smith: I believe that we were asked to prepare a submission and we were given a verbal specification, and I believe we were asked to prepare ~~it~~ by the Friday of the following week and ~~we~~ asked for the extension of the weekend to try and

June 20/73
10.15 - 10.20 a.m.
R.E.S.

H-592 - 3

(Mr. Smith)

put a little more work into it if we could.

Mr. Shibley: Yes.

Mr. Smith: So I think it was the 20th, the date that we put it in. And, as I said in other statements, ~~that~~ we were told not to work too hard on it, ~~and~~ I am not sure whether ~~he~~ said, "Don't work too hard on it" or "Don't work too hard at this time."

Mr. Shibley: Mr. Smith, what interpretation did you put upon that statement by Mr. Candy to you not to work too hard on *this*?

(Tape H-593 - 1 follows)

June 20/73
10:20 - 10:25 am.
M.S.

(Mr. Shibley)

~~did you put upon it that way, or was it you, not to~~
~~work too hard~~

Mr. Smith: Well, at that time ~~I~~ ^{I think} the meeting took about an hour, ~~and~~ it was a fairly quick meeting. ~~and~~ I came out of the meeting thinking ^{what} that what he wanted to do was really ^{to} find out ^{what} the market was like for that type of ~~proposal~~ proposal. I went back to our office and I talked to Vernon Bayley, our vice-president, and we said "What did he mean by 'Don't work too hard' or whatever the actual words were?" So, Bayley and I said, "Well, why don't we go back to him and ask him, are we going to get a fair shake out of this?"

Mr. Shibley: Now, stopping there, what was in Bayley's mind when he asked that question?

Mr. Smith: Well, why should you put so much work into it if nothing's going to come of it? This happens to us all the time. People kind of pick your brains and then drop you after they get all your information.

Mr. Shibley: Are you telling this committee you were concerned that this was an exercise designed to obtain information for Hydro, without any real intent to give you a chance to do the job?

Mr. Smith: No, it seemed like, from what we were given, it would be hard to evaluate. It would be hard to evaluate any proposal. So, we tried to put together as good a proposal as possible. Bayley and I didn't see how they could evaluate one from what they gave us, so we went back and asked Mr. Candy, was this in earnest and would we get a ~~fair~~ fair shake from what we'd put in; and he said, yes, definitely.

Mr. Shibley: Now, Mr. ~~Bayley~~ Bayley is your accounting ~~executive~~ ^{TYPE?}

Mr. Smith: No, no. He's our vice-president and chief estimator. He does all of our estimating.

H 593 - 2

June 20/73
10:20 - 10:25 am.
M.S.

Mr. Shibley: Yes. And when you went back to Bayley, I gather the specifications you'd received verbally from Mr. Candy were in turn ~~transmitted~~ transmitted to him, is that correct?

Mr. Smith: Well, yes. Yes, they were transmitted to all of us. We all worked on it.

Mr. Shibley: Now, subsequently you were provided with written specifications, I think in early February ~~and~~

Mr. Smith: That's right.

Mr. Shibley: ~~and~~ and the evidence to this point is that those written specifications substantially were the same as what was provided to the developers verbally?

Mr. Smith: That's right.

Mr. Shibley: Do you agree with that?

Mr. Smith: Yes, I agree with that.

Mr. Shibley: So that the verbal specifications given by Candy can be taken as the same as that set forth in the written specification which is now an ~~exhibit~~ exhibit?

Mr. Smith: That's right.

Mr. Shibley: And notwithstanding the details set out in those specifications, Mr. Bayley did not feel that they were adequate to take off this job?

Mr. Smith: Well, I think I felt that too.

Mr. Shibley: All right.

Mr. Smith: I think we'd worked up the proposal from what we were given, but I would hate to judge anything on what we were given, or ever invest in that basis.

Mr. Shibley: Well, this committee is particularly interested in that, Mr. Smith. Why do you say that you would hate to come up with a particular proposal based on those specifications?

Mr. Smith: I think that I might have the best price and come up with a horrible looking building that Hydro wouldn't be happy with. I think you really have to get a set of drawings and specifications and you have to get people to analyse them. I thought,

H 593 - 3

June 20/73
10:20 - 10:25 am.
M.S.

(Mr. Smith)


at the time, that Hydro would probably say, "Here are two or three of the best. Let's talk to them and give them a real tight outline," and call subsequent real firm proposals, that you wouldn't vary from.

Mr. Shibley: Yes. Now, that's the point, Mr. Smith. Did you consider that the specifications provided to you and the proposal that you were expected to outline to Hydro, ~~were~~ ^{were} of a preliminary nature only?

Mr. Smith: I don't see how ~~it~~ ^{they} could have been anything but a preliminary nature.

Mr. Shibley: And that thereafter, as you describe it, much tighter specifications, with drawings and so on, would be propounded and a selected few developers, ~~named~~

Tape H 594 follows



June 20/73

10:25 - 10:30 am

C.B.

(Mr. Shibley):

~~specifications, but drawings, etc could be propounded~~
~~and a selected few developers~~ hopefully you being one
of them ¹ would be asked to zero in with a firm submission?

Mr. Smith: That is the way I expected it would
go, and I was amazed they didn't go that way.

Mr. Shibley: You say you were amazed they
didn't go that way?

Mr. Smith: That is the way I would have gone.

Mr. Shibley: Yes. So now you are treating this
effort as of a preliminary nature?

Mr. Smith: Yes.

Mr. Shibley: And you are acting on the representation
by Mr. Candy that it is a bona fide endeavour by Hydro as
a first step towards making a selection of the developer
to construct its building. Is that correct?

Mr. Smith: I didn't know how they could make
a selection on what we gave them. I thought they would
come back and get more complete specifications and probably
designs from us.

Mr. Shibley: Yes. all right.

Mr. Smith: We recently quoted on a building
and we gave complete specifications, drawings and complete
breakdown of the entire building and it seemed to be the way
to go about it.

Mr. Shibley: Now in that connection; In terms
of doing a building on a development premise is it not
common to have a developer proceed with a building without
complete plans and specifications for the building?

June 20/73

10:25 - 10:30 am

C.B.

Mr. Smith: I don't think you would need complete plans and specifications. You would need fairly comprehensive ones though. ~~_____~~
The Ontario Government calls housing proposals, and you put in outline specifications and drawings and sketches. You don't have every little detail detailed on them, as you do on a tendering process, ^bbut you have fairly detailed plans and specifications.

Mr. Shibley: Mr. Smith, are you telling this committee that whereas on a lease-purchase type ^{of} transaction where ^a developer is involved he can proceed more immediately and with fewer plans and specs, but that more than was provided and available from Hydro was necessary even on that kind of transaction?

Mr. Smith: I would say so, definitely.

Mr. Shibley: Now then, Mr. Smith, do I take it then you were given two weeks to work up your submission?

Mr. Smith: That's right.

Mr. Shibley: And what did you do in that respect?

Mr. Smith: What did we do in that ~~xxxxxx~~ two weeks? Our financial man ^I guess he and I talked to Wood Gundy. Our estimators ^{went} ~~went~~ to try ^{to} ~~and~~ ~~work~~ work up a cost of a building that would match Mr. Candy's specifications. Our purchasing department went to work on figuring cleaning costs and all the maintenance costs. We called Sifton in and told him to work up his own maintenance costs. We called in a chap, I forget his name, I've got it here, but he was with Goody ^{ie} ~~Gibson~~ and hired him as a consultant on maintenance costs. I believe we had

June 20/73

10:25 - 10:30 am

C.B.

(Mr. Smith)

a meeting with Mr. Candy just talking about elevators and ~~we~~ maybe some finishes. So everybody in the company worked fairly hard for about two weeks. We worked both weekends and tried to put it together as soundly as ~~oh~~, I talked to Gordon ~~the~~ Adamson and asked him if he would be a consultant; ~~actually~~ I talked to Fred Fletcher up at that office, ~~and~~ I ~~the~~ talked to Boris ~~the~~ Zerafa, I talked to Bob Tambllyn the consulting engineer, I ~~the~~ talked to Mulvey and we ripped our own costs apart to see what we could come up with. So we worked pretty hard on it.

Mr. Shibley: Mr. Smith, you've been good enough to produce your complete file to me. ~~Have you any objection to my providing it as a complete exhibit.~~

~~Mr. Smith:~~

~~Mr. Shibley: As to whether or not this is a complete file.~~

~~All right, well, nothing is the only document~~

~~that I~~

H595 to follow



June 20, 1973
10.30-10.35 a.m.
M.F.

H - 595 - 1

(Mr. Shibley)

Have you any objection to my providing it as a complete exhibit to the members of this committee?

Mr. Smith: No.

Mr. Shibley: All right. I tell members of the committee the only document I have withdrawn from this file is a letter of opinion referable to tax considerations affecting this firm, which I don't think are important to the committee, as well as certain correspondence and documents otherwise already exhibited before the committee, such as letters between this firm and Hydro, but I think -----

Mr. Bullbrook: May I ask you a question? I have no objection to that at all, that is certainly your purview, but the one thing that is going to be of concern to us is the tax implications of the developer's scheme of doing things, and I take it that the letter that you are referring to is in reference to the internal tax situation of Ellis-Don Limited, which we are not interested in?

Mr. Shibley: It relates to a tax question as it affects Ellis-Don, should it have been selected to do this project. I don't consider its probative value to be sufficient to outweigh what could be prejudicially ^{effect} ~~to~~ to this witness.

Mr. Bullbrook: I think you can see my meaning, Mr. Shibley, that ~~it is very germane to us~~ it is very germane to us eventually, the tax implications of the developer.

Mr. ^{Shibley} ~~Bullbrook~~: It is relevant and yet it is one of those cases where I feel the prejudice might outweigh its probative value, and if you don't feel strongly about it and if you will rely on me in that respect -----

Mr. Bullbrook: I rely on your judgment ^{effect} ~~to~~

Mr. Shibley: I think in fairness to the firm in question the revenue department should formulate its own opinions without assistance the ~~opinion~~ of Mr. Smith's supervisor.

June 20, 1973
10.30-10.35 a.m.
M.F.

H - 595 - 2

Mr. Bullbrook: I entirely agree with that.

Mr. Chairman: Are you agreeable, Mr. King? Any comments?

Mr. King: No, no comments.

Mr. Shibley: Then what I have done, members of the committee, is ~~take~~ ^{Compiled} as a separate brief a brief of the whole of the document in the Ellis-Don file which I ask be made one exhibit. Those will be ready in a few moments. I would just like to go on with the witness for a moment.

Now I take it in general terms, Mr. Smith, that you put your organization to a full-out effort respecting the making of your submission. Is that correct?


Mr. Smith: Oh, yes.

Mr. Shibley: And, in that connection, one of the salient items that emanates from your proposal is your estimate of the cost per square foot of constructing this building. I might tell members of the committee that, of course, the submission of this developer is already in exhibit as exhibit number 57(b) dated January 24th, 1972, and I want to deal with you on the question of your evaluation or assessment of the cost of constructing the building as laid down in the specifications by Mr. Candy, and would you please tell me firstly on what conclusion in that respect you predicated your proposal for a lease-purchase transaction?

I suggest you look at page 2 of your submission.

Mr. Smith: Yes.

Mr. Shibley: The middle paragraph, ^{You draw} earlier reference to the fact that you had built certain buildings at varying costs



Tape H - 596 follows

10:35 - 10:40 am
CA

H-596-1

(Mr. Shibley)

~~_____~~
~~_____~~ ranging from the IBM building in London at \$19.42 per square foot, Standard Life at \$19.85, Thomson building at \$22. Then you say, "We think that a building costing \$26 per square foot would have excellent design and would probably satisfy the commission. We based our calculations on a building costing \$26 per square foot, but we are also including costs for ^a building costing \$24 and \$22". Now would you please explain those figures ~~to~~ to the committee please?

Mr. Smith: The Standard Life building in Calgary at \$19.85, it was an excellent building. We had marble floors on the ground floor ^{and} mezzanine. We had outside gardens and ~~terraces~~ terraces. ~~_____~~ And ~~it was~~ Mr. Candy had not told us to design an elaborate building. They wanted a functional, good office building. I thought that the Thomson building at \$22 a square foot was a good-looking office building. And I thought, at that time, because ~~we~~ I believe we had finished the Thomson building then, I thought our costs would be along that line. I liked the architecture on the Thomson building, and I thought we could duplicate that type of building for \$22. So as a bit of a selling point I added an extra \$4 a square foot in there ~~which~~ which would give us approximately \$5 million more to dress it up. And I thought that ~~with~~ Webb Zerafa, and the group that I mentioned, ~~I thought that they~~ they would do an excellent job, because we didn't have to put rugs on the floors and the electrical specification wasn't that tough, and so we could do an excellent job for \$26. We did the University Hospital in London, which is a most complicated structure, for approximately \$30,

Mr. Shibley: Mr. Smith, when you cited these figures, were they inclusive figures in ^{the} ~~a~~ sense of including the cost of interim financing and also the cost of architectural fees?

Mr. Smith: No, they were not.

Mr. Shibley: So that the dollar per square foot figure set forth in your proposal did not include those items?

Mr. Smith: That's right. It did not.

June 20/73
10:35 - 10:40 am
CA

H-596-2

Mr. Shibley: What amount would be added in the overall to these basic construction costs?

Mr. Smith: I think it is \$6. Just about \$6.

Mr. Shibley: \$6?

Mr. Smith: Yes. We worked that out yesterday.

Mr. Shibley: Yes. When you say on page 2;

"That our calculations of building --"

Mr. Smith: You can work that out from my calculations that you have there.

Mr. Shibley: Yes. So that what you were really talking about when you made your submission was a building which, on an inclusive basis, was going to cost you \$32 or \$34 per square foot?

Mr. Smith: Yes.

Mr. Shibley: And notwithstanding that that was to be the inclusive cost to you, the rental rate that you propounded, was that set forth in your proposal?

Mr. Smith: That's right.

Mr. Shibley: Is that correct?

Mr. Smith: That's right.

Mr. Shibley: So that when you said you would propose a rental rate, I believe, of \$4.48 per square foot; I'm going by memory now;

Mr. Smith: Yes.

Mr. Shibley: That was predicated on a building which would in fact cost Ellis-Don \$34 to \$36 per square foot?

Mr. Smith: No, that would be \$32, I guess.

~~Mr. Shibley: I think that figure was based on the document~~

H-597-1 follows

H-597-1

June 20/73
10.40 to 10.45 am
DT

~~Mr. Smith: About 32 square.~~

Mr. Shibley: I beg your pardon?

Mr. Smith: That would be \$32.

Mr. Shibley: Well, wasn't that a figure which was predicated on the subsequent increase in costs to \$30 ~~per~~?

Mr. Smith: I am sorry, I ~~missed~~ ^{missed} the point.

Mr. Shibley: You were later asked by Mr. Candy to give the rates based upon a building costing \$28 ~~per~~ and \$30 ~~per~~ per square foot?

Mr. Smith: Right.

Mr. Shibley: And you did give those rates?

Mr. Smith: Right.

Mr. Shibley: And the rate you gave -- I had better just ~~get these to be~~ ^{get these to be} precise -- if you will wait on me. I will deal with it one at a time. Dealing with your original submission, you were talking about a \$32 ~~per~~ per square foot building in the overall costs?

Mr. Smith: That's right.

Mr. Shibley: I am looking at ^{the} exhibit ~~number 62~~

dated February 1, 1972, being exhibit number 62, and Mr. Candy ~~I am sorry,~~ ^{I am sorry,} has computed the figure on which he has computed the rental cost ~~to~~ \$4.46 per square foot, is that correct?

Mr. Smith: On the \$26 ~~per~~?

Mr. Shibley: It is about ~~page~~ ^{at} eight of that memorandum of Mr. Candy's. This is his analysis of the four submissions made in January ~~per~~ -- exhibit 62 dated February 1, 1972. So when it sets out capital cost ~~of~~ ^{at} \$26 ~~per~~, the real cost to you inclusive of these other factors was to be \$32 ~~per~~ per square foot, is that correct?

Mr. Smith: That's right.

Mr. Shibley: And in fact you were prepared to build this building at such a cost, namely \$32 ~~per~~ a square foot, charging Hydro a rate of \$4.46 per square foot?

Mr. Smith: That's right.

Mr. Bullbrook: May I just clarify this in my own mind so that I am not in ^{an} apples and oranges situation again.

June 20/73
10.40 to -10.45 am
DT

(Mr. Bullbrook)

Ellis-Don's quote on a square-foot basis did not include certain items of cost to the developer ~~that~~ that Canada Square Corporation's square-foot basis did cost?

Mr. Shibley: Yes, that's right and it is very material, Mr. Bullbrook. You see, the \$34 ~~per~~ figure cited by Canada Square ^{and} Mr. Genest can correct me if I am wrong, as I understand it, is an inclusive figure so that after you reduce that figure by the elimination of the cost of financing, which runs to some millions of dollars, and also the cost of architectural fees, which also runs to a very sizable sum, you telescope it down to the actual cost of construction. When Ellis-Don submitted its figures, it submitted its cost-of-construction figure of \$26 ~~per~~. When it computed its \$4.46 rate, it incorporated in that rate a charge for the ancillary figures, so Ellis-Don could just as easily, as I understand it, have submitted a proposal wherein it said, its overall cost, inclusive of financing and design charges, would be \$32 ~~per~~ per square foot ~~and~~.

Mr. Genest: Mr. Shibley, sorry.

Mr. Shibley: ~~and for~~ ^{it was} a building of that cost, ~~was~~ prepared to provide it at \$4.46 to Louis Gerres, Mr. Smith?

Mr. Smith: That's right.

Mr. Genest: Mr. Shibley, in that connection, I hope you will put to the witness exhibit 58 which is a memorandum ~~by~~ ^{by} Mr. Candy, on a meeting of the 2nd of February where it is outlined, according to Mr. Candy, that Mr. Smith said that his price of \$26 ~~per~~ included architects' fees and interim financing costs ^{and} ~~and~~ payment to guarantee a bond issue.

Mr. Bullbrook: Well, the question there is, ~~what~~ ~~do we say: I suppose we are talking about the price per square foot when we are talking about the cost to Hydro on a~~

(H-598 to follow)

June 20, 1973
10:45 - 10:50 am
JLP

(Mr. Bullbrook)

What do we mean by price? Are we talking there about the price per square foot or are we talking about the cost to Hydro ~~company~~ of their rental cost? Unless Mr. Genest can help us here, we might have to call Mr. Candy back, but that's the salient aspect of the word "price".

Mr. Shibley: I must say I was going to come back to this Exhibit eventually, but for the moment I want to know what Mr. Smith's present position is in that connection. Dealing first with the February 1 memorandum of Mr. Candy, I want the committee to understand, Mr. Smith, that - you see, the rate per square foot in this schedule is not a mere division of \$26 times the square feet with factors applied to come to a \$4.46 figure. When the \$4.46 rental figure is worked out, a number of elements entered into it, the cost of construction, the cost of financing, the cost of architectural fees, etc., the maintenance costs etc., so that it's wrong to think that that figure is wholly the creation or result of the \$26 item. And what is happening here, according to what Mr. Smith is now saying, is that it was going to cost Ellis-Don \$26 plus \$6 per square foot for these ancillary items to build this building, and it was going to be provided at \$4.46 per square foot. Is that right?

Mr. Smith: That's right.

Mr. Shibley: Now,

Mr. Bullbrook: I want to start by this. I really think it's important. Right?

Mr. Shibley: Sure.

Mr. Bullbrook: I know you are going to come back to Exhibit 58 and I know that you

Mr. Shibley: I can't hear you.

Mr. Bullbrook: I'm sorry, I know you are probably coming back to Exhibit 58

Mr. Shibley: I'm going to right now.

Mr. Bullbrook: Are you? Because if we are buying two cars, ~~now~~ like a Buick and a Datsun, I want to know what the cars are going

June 20, 1973
10:45 - 10:50 am
JLP

(Mr. Bullbrook)

to cost. I mean, we have so much evidence as to the subjective evaluation of things based on price. And I really feel it's essential that ^{we} understand what "price" means in that exhibit.

Mr. Shibley: Well, I think it's a little ~~different~~ different than the example you give. I think you are wondering whether you are getting a car with or without wheels.

Mr. Bullbrook: That's fine, very well put. Okay, I'm sorry, go ahead.

Mr. Shibley: If I ~~could~~ have the witness presented with Exhibit 58.

Mr. ~~Smith~~ Smith: I have that.

Mr. Shibley: You'll notice, Mr. Smith, that Mr. Candy reported on February 2 as follows:

"I discussed yesterday [that would be February 1] with ^{Mr.} Don Smith the proposal they submitted, and he advised that the following items are included in this price: Cost of building; architect's fees at 6 per cent, interim financing ~~costs and~~ ^{costs} ~~and~~ ^{and} ~~payment~~ ^{payment} to Wood Gundy to guarantee bond issue in three years at fixed interest, \$1 million; the payment of water bills for the building is included in the rental figure. I gave ^{Mr.} Smith a copy of the requirements and conditions ^{which were} included in the memo to the Chairman dated February 1, and ^{he} Smith advised ^{that} he was aware of these items, all of which he had taken into account ⁱⁿ ~~when~~ preparing his price.

"I asked ^{Mr.} Smith to write me a letter stating the increase in ^{rate} rental for a building costing \$28, \$30, \$32, and \$34."

Now, starting with the first paragraph, when he says you advised him that the following items are included in your price, were you talking about the price per square foot of building the building, or were you talking about price in terms of rental cost per square foot?

Mr. ~~Smith~~ Smith: I was talking in terms of rental price. That's what they're going to pay.

June 20, 1973
10:45 - 10:50 am
JLP

Mr. Shibley: So that to correctly interpret this memorandum, what you are telling Mr. Candy on that date is the rate per square foot per rental of \$4.46 was an inclusive rate?

Mr. Smith: That's right.

Mr. Shibley: And that's consistent with what you are telling this committee today?

Mr. Smith: That's right.

Mr. Shibley: Now, did Mr . Candy understand that? Because I gather from Mr. Genest's interjection that he believes Mr. Candy thought that the \$26 was an inclusive price.

~~_____~~

(Tape H 599 follows)

June 20th, 1973

10.50 - 10.55 am

H 599 - 1

AA

(Mr. Shibley)

~~he believed that Mr. Candy thought that the \$26 was in
the building price.~~

Mr. Smith: I was never asked ^{were} ~~was~~ the ~~architect's~~

architect's fees and financing charges ⁱⁿ ~~being~~ \$26 a square foot. ^{I was}
^{asked} ~~That~~ ^{it} was in my price and I said it was and I was willing
to show Mr. Candy our figures. ~~Because~~ ^{In} my proposal, I
am comparing buildings on a square foot price and certainly
those prices don't ~~include~~ include financing or there is
no way there can. I don't ^{include} financing and architect ^{and}
fees but ~~not~~

Mr. Shibley: But when Mr. Candy was asking ~~what~~
was included in your ~~price~~, was it clear from what he said
to you that he was asking about the rental rate, or was he
asking you ~~about~~ ^{about} the cost of constructing the building?

Mr. Smith: Well, my ~~recollection~~ ^{recollection} is he was
asking about the rental rate and I thought that he was ~~wondering~~
wondering if we had everything in our price.

Mr. Shibley: Yes, but ~~that~~ that is the word we have
to have defined. Price, in your mind at least, was the rental
rate.

Mr. Smith: That's right. ~~I remember~~ I thought ~~he~~
was making sure that we hadn't made an error and ~~that~~ ^{that} we have
~~everything~~ everything in. That was what I thought.

Mr. Allan: Mr. Chairman, I wonder if I could have one
bit of clarification. ~~in comparing the cost of the proposed~~
~~or~~ the possible cost ~~of~~ of this building with other buildings that
had been built, was there any profit item in ~~the~~ other buildings?
Was that the cost to the person for whom the building was
built or was it ~~share~~ ^{your} cost?

Mr. Smith: Oh, the cost, Mr. Allan, included our profit,
^{and} the figures I quoted on Standard Life, IBM ^{and} were the
contract price, which included our profit. They were the cost

June 20th, 1973

10.50 - 10.55 am

H 599 - 2

AA

(Mr. Smith)

of the buildings to the owners.

Mr. Allan: So that ~~there is~~ there is a bit of apples and oranges then.

Mr. ~~Smith~~ Shibley: The two plans, isn't it?

Mr. Smith: I never knew anybody who didn't charge profit, though. *Nobody suggested that*

Mr. Allan: We were told that probably in a proposal like this, the profit was made on the rental.

Mr. Shibley: That is correct. In other words, if you were ~~to~~ to eliminate the profit factor from the figures that you mentioned in your proposal at which you had built ~~the~~ these other buildings, those figures per square foot would be something less than the figures quoted?

Mr. ~~Smith~~ Smith: Negligible, though, three per cent.

Mr. Shibley: Three per cent.

Mr. Smith: Right. That is overhead and profit.

You have got to charge overhead and your profit is one per cent so that would be the reduction. If you took profit out, it would be one per cent on ours

Mr. Shibley: One per cent?

Mr. Smith: One per cent is the profit. This can be verified from the other buildings that we have done.

Mr. Shibley: Well, I commend ^{you} You ~~are~~ are ~~working~~ working on a very narrow margin.

Mr. Smith: I think it is ~~not~~ noticeable in the industry.

Mr. Bullbrook: Just for the sake of my understanding, ~~to~~ to this ~~very~~ relevant question, can we assume then from the response of Mr. Smith that, notwithstanding that this is a lease, ^{that} ~~purchase~~ purchase and the others were on a contract to tender basis, ~~it~~ still included in his price here was an item that could be called "profit" on the building ^{of the building} itself.

June 20th, 1973

10.50 - 10.55 am

H 599 - 3

AA

(Mr. Shibley)

Mr. Shibley: We haven't got to that but I will ask him that. ~~I wanted to make~~

Mr. Bullbrook: Don't do it now. I am sorry.

Mr. Shibley: I wanted to make it clear to the committee, ^{as} ~~that~~ I felt throughout and I think this is the best witness to clear this up, that when you look at these schedules you ought not to automatically presume that the comparison of \$26 and \$34 is a true comparison. You are not talking about the same thing if ~~one builder~~ one builder is talking about \$26 as a cost of ~~constructing~~ constructing the building and the other builder is talking about the cost of constructing the building, plus his financing, plus his ~~architectural~~ architectural fees because this builder is telling you that if he had given the rate ~~per square~~ per square foot inclusive of those other ^{figures} things, his figures also would have gone up to \$32 a square foot from the outset.

~~And so~~ Do I take it, Mr. Smith, that translating what you say and applying ^{it} let's say to a ^{figure} ~~rate~~ of \$34 ~~which~~ which is an inclusive figure, what is left for construction of the building is \$28 ~~per~~ per square foot.

Mr. Smith: That's right.

Mr. Shibley: And that ~~figure~~ compares to the \$26 you were quoting?

Mr. Smith: That's right.

Mr. Shibley: Now, you ~~subsequently~~ subsequently did quote on the basis requested by Mr. Candy, did you not?

Mr. Smith: Yes

Mr. Shibley: And for a \$28

June 20, 1973
10.55 - 11.00 a.m.
M.R.

(Mr. Shibley)

~~Mr. Shibley: Yes.~~

Mr. Shibley: And for a \$28 building, what was your quotation?

Mr. Smith: \$4.71.

Mr. Shibley: Now then, can I take it that at \$4.71, you were prepared to provide a building which, in the overall, cost Ellis-Don \$34 per square foot?

Mr. Smith: That's right.

Mr. Shibley: That's correct?

Mr. Smith: Yes, including architects' fees and finance charges and everything else.

Mr. Shibley: And of that \$34 per square foot there would have been \$28 available for the construction of the building?

Mr. Smith: That's right.

Mr. Shibley: And that would be \$6 ~~less~~ more than it cost to construct the Thompson Building?

Mr. Smith: That's right.

Mr. Shibley: Now, having regard for that disparity in cost of construction -- \$6 ~~less~~ -- what, if anything, can you tell us as to your ability to incorporate additional features into this building?

Mr. Smith: I talked to Boris Zerafa at the time, and I think Boris is an excellent designer or has an excellent firm of designers and he thought that ~~he~~ he could come up with something quite exciting for \$26 building construction costs.

That was what we based it on. And we thought that he could come up with something quite exciting ~~and~~ for that price, maybe a little less.

Mr. Shibley: Now I must tell you, Mr. Smith, that ultimately your submission was compared on the basis of the figures submitted for a \$30 per square foot building. And I take it that in your thinking that kind of a building would have cost you in the overall \$36 per square foot?

June 20, 1973
10.55 - 11.00 a.m.
M.R.

Mr. Smith: That's right.

Mr. Shibley: Is that right?

Mr. Smith: That's right.

Mr. Shibley: These other factors don't vary ↗

Mr. Smith: I don't think so, ~~xxx~~ do they, Dave?

Mr. Shibley: ↗ except to the cost of financing?

Mr. Smith: I guess they would vary proportionately, maybe.

Mr. Shibley: Yes.

Mr. Smith: Percentage-wise.

Mr. Shibley: Architectural fees wouldn't, but cost of financing would?

Mr. ~~Shibley~~ Smith: No. The architectural fees are a per cent ^{0.92} so they would ^{go} up ↗

Mr. Shibley: Oh, I'm sorry. Yes.

Mr. Smith: They might go up that per cent more.

Mr. Shibley: Yes. All right. Now then, in that respect, at \$30 a square foot for the cost of constructing the building only —

Mr. Smith: Yes.

Mr. Shibley: — You are now \$8 higher than the Thompson Building and a full \$8 more than you originally contemplated would be required to build ^(to) a quality of building which Hydro requested.

Mr. Smith: That's right.

Mr. Shibley: Is that right?

Mr. Smith: That's right.

Mr. Shibley: Did you appreciate that when the comparison ~~was made~~ was to be made, it would be made on the basis of your quote for a \$30 cost of construction?

Mr. Smith: I think at the time, Mr. Shibley, I merely thought they were just trying to get more information before they made up their mind.

Mr. Shibley: Now then, while we are on the cost of construction, I would like you to assist the committee, if you will,

June 20, 1973
10.55 - 11.00 a.m.
M.R.

(Mr. Shibley)

with respect to the building now under construction. This is a building that has been described as being 19 storeys in height. You are familiar with the total area involved,


Mr. Smith: Yes.

Mr. Shibley: ^{rentable} in terms of ~~total~~ area and so on.

And can we take it that you have made some study of the basic concepts which are incorporated into this building?

Mr. Smith: Yes.

Mr. Shibley: Would you please assist the committee by applying your expertise as to whether you think this building is a



H-601 to follow

June 20/73
11.00 - 11.05 a.m.
R.E.S.

H-K601 - 1#

(Mr. Shibley)

...On your expertise as to whether you think this building is a difficult, expensive building to construct, or has features which permit its construction economically and at less expense?

Mr. Genest: Which building are we talking about?

Mr. Shibley: We're talking about the new building.

Mr. Bullbrook: Canada Square building.

Smith

Mr. ~~Genest~~: I don't think it's that expensive a building.

Mr. Shibley: All right, now, you are going to have to give particulars and reasons for that opinion.

Mr. Smith: ~~Yes~~ I haven't seen the drawings and specifications; I do know what Mr. Candy required in his specifications.

Mr. Shibley: Yes.

Mr. Smith: ~~Yes~~ and applying them to that building, and I haven't done a detailed take-off, ~~my~~ my impression was it could probably be built for about \$24 to \$25 a square foot.

Mr. Shibley: Now, you're talking about ~~yes~~

Mr. Smith: That's only ~~yes~~

Mr. Shibley: ~~Construction costs?~~

Mr. Smith: Yes, that's only an opinion, because I ~~yes~~

Mr. Shibley: Yes. You are talking about construction costs?

Mr. Smith: Yes.

Mr. Shibley: So that ~~yes~~ inclusive of these other costs ^{of} you are talking ~~yes~~ an overall cost of \$30 to \$31 per square foot?

Mr. Smith: That's right.

Mr. Shibley: Now why ~~yes~~

Mr. Smith: It might even be built cheaper, but that was just an opinion from what I'd ~~yes~~

Mr. Shibley: Now, you must've had reasons for formulating that opinion, Mr. Smith. I'd like to know what they are.

June 20/73
11.00 - 11.05 a.m.
R.E.S.

H-601 - 2

Mr. Smith: We have a rough idea how much the structure should cost. We have a rough idea of what the electrical should cost, ^{and} the mechanical; and we have a rough idea of how much the curtain ^{wall} cost ^{\$2} the structure being the concrete. And again, from the specifications we had from Mr. Candy and from what we assume was going into the building, it was from those items that we thought it could be built for \$24 or \$25 a square foot.

Mr. Shibley: Now, is the height of a building a factor in terms of cost of construction?

Mr. Smith: Well, ^{almost} certainly the height is. I think when you are getting into Commerce Courts and things like that, it is a factor, But the Standard Life in Calgary was 27 floors and once we got rolling on it we made good costs, and so I wouldn't I think accessibility is a cost, you know; if you can work around it, you can support your cranes. Standard Life was 27 floors. It went very quickly. The Thomson Building went quickly but it was confined, so ^{it was} a little more expensive than ^{they} thought it should be. But it was confined and we knew that.

Mr. Chairman: Mr. Shibley, I wonder, when ^s he talked about a rough idea, what he's aiming for.

Mr. Shibley: Yes, that's right.

Mr. Chairman: You are coming to that? I think we should know what that rough idea is, in case later we find it ^{is} not very close.

Mr. Shibley: Well, I was going to ask. You said you had rough ideas. Did you get any figures as to the cost per square foot of the mechanical installation?

Mr. Smith: Yes, I got figures from Mr. ^{Tamblyn,} ~~Smith~~ the consulting engineer. I asked him what we should carry, ^{when}

~~Mr. Smith: Yes, I got figures from Mr. Smith.~~

Mr. Smith: and I tried to figure we could build a building for \$22 or \$24 or ~~\$26~~ \$26, and without confirming this with Mr. Tamblyn I tried to reach him yesterday,

June 20/73
11.00 - 11.05 a.m.
R.ES.

H-601 - 3

Mr. Shibley: Yes.

Mr. Smith: Now the figure could $\frac{\$}{450}$, $\frac{\$}{460}$ or $\frac{\$}{480}$.

in that area. ~~■~~ I thought I had it written down, but I just can't find it.

Mr. Genest: Mr. Chairman, ~~my~~

Mr. Shibley: Would you also ~~my~~

Mr. Genest: Mr. Chairman, Mr. Shibley, I don't think I've been obstreperous to the committee up until now, but I feel I should make a very strong submission at this stage, and I don't mean any disrespect to Mr. Smith who has been answering the questions he is asked. But my respectful submission is that this type of ~~conduct~~ ~~is~~ ~~not~~ ~~acceptable~~.

(Tape H-602 - 1 follows)

June 20, 1973
11.05-11.10a.m.
B.A.

H-2602-1

(Mr. Genest)

~~and~~ I don't mean any disrespect to Mr. Smith, who was answering the question he was asked, but my respectful submission is that this type of evidence is extremely prejudicial and will lead to plastered headlines, and is based, really, on opinion that would not be allowed to be given in a court of law because of the lack of study which Mr. Smith has quite fairly and frankly admitted. He has not ^{made} ~~made~~ any detailed take-offs; his impressions of the costs from Mr. Tambllyn are inaccurate; he has again admitted that; he does not know what the figures are; he has not seen drawings or specifications; he is giving an impression, and it is going to be represented as an expert opinion; and I submit that that ought not to be pursued. My submission is that this is extremely prejudicial to Hydro and to Canada Square, and that unless we have witnesses here who have made a detailed study and can give an expert opinion based on expert knowledge, this type of evidence ought not to be adduced.

Mr. Shibley: Mr. Chairman, I might say that I have yet to be provided with the break-out that I ~~requested~~ requested some days ago, that I understood had been compiled by the firm of Hanscomb Roy. I have asked previous witnesses whether the plans and specifications had yet reached the stage where a builder could pick off a precise quote. I have been told that this is not yet the case. I would have been delighted to have been in a position to instruct someone expert in the building field, to make the precise analysis that Mr. Genest would prefer. I would prefer that myself. My difficulty emanates from the lack of particulars which Hydro is even yet able to provide in that respect.

On the other hand, we do have this much available to the committee, and if you think that the premise is not

June 20, 1973
11.05-11.10a.m.
B.A.

(Mr. Shibley)

established for witnesses to give this type of evidence, I am quite prepared to eliminate it from my line of questioning. But, for want of something better, we do have Mr. Smith whose firm, as you will see, made a very intense study of the cost of constructing a building in terms of the specifications laid down by Mr. ~~Robert~~ Candy and upon which specifications, and in respect of which proposals, Hydro, in fact, made its final determination as to who should build this building. Now, if ~~the specifications as laid down by Mr. Candy were considered by Hydro as adequate to enable proposals to be submitted which were, in turn, to be the foundation for the selection process, then surely, the developers who examine into those specifications and formulated conclusions as to cost are equipped, adding to that circumstance, their expertise, to give the very sort of evidence that I am taking this witness through at this time. What this witness is saying is, "Having regard for all of the input that we made with respect to the specifications afforded to us, and our understanding of what is going into this building, this is my opinion, and of course, it is nothing more than opinion, as to what the cost of construction should be. If, later on, Mr. Moog and his organization come forward and say, as I expect they likely will, that "yes, but when Mr. Smith gave his evidence he could not have had regard for the fact of these special features, items ~~one~~ one through to six, the cost of these being X, Y and Z, and therefore his calculations are wrong," that is fine. But, at the moment, I think this committee needs some help from the only people presently available, and I say they are the only people because, as I say, we don't have anything in our hands yet, to submit to a building expert.~~

H-602-3

June 20, 1973
11.06-11.10a.m.
B.A.

Mr. Genest: Well, I just have one last word.

My submission on that, Mr. Chairman, ~~that~~^{and} perhaps I can translate it to language which lawyers might understand, ~~my submission~~ is that what ~~is~~ is being asked of Mr. Smith is like asking a lawyer to give an opinion, and he says, "Well, I haven't really looked at the statutes, nor have I looked at the law, but my impression is this". And in my submission you can ask anyone that and the opinion that results, ~~and~~ and I emphasize again, ~~that~~^{that} I mean no disrespect to Mr. Smith, is not of value and is highly prejudicial, and I ask for a ruling on it, Mr. Chairman:

Mr. Chairman: Mr. Genest, your point ~~is~~ has been, I think, well taken and I, as you know, got into the act ~~well~~

(Tape H-603 follows)

June 20, 1973
11.10-11.15 a.m.
M.F.

H - 603 - 1

Mr. Chairman

(Mr. Genest)

~~is not of value and is highly prejudicial. I ask for a ruling on it now Mr. Chairman.~~

~~Mr. Chairman: Your point is I think well taken and I, as you know, got into the act prior to you in asking ~~on~~ what was the basis ^{of the} ~~of the~~ rough idea of the structure ~~of a~~ curtain wall.~~ ~~and~~ I would hope that would be forthcoming because I don't know how we are going to compare it with what subsequent witnesses might say unless we have from Mr. Smith the figures on which he based his calculations.

Now I am not happy, and you are not happy, that we should get expert opinion evidence based on so little opportunity to study the building, ~~Mr. Shibley~~. Evidently this is the basis on which Hydro proceeded, or seems to ^{have} proceeded, and ~~as~~ as long as Mr. Shibley is going to try and bring forth more evidence from Mr. Smith as to what basis he based his calculations on, ~~then~~ I think I will let that line of question proceed, But I think we should get enough evidence from Mr. Smith to ~~compare~~ compare later on with subsequent witnesses.

Mr. Shibley: Mr. Chairman, it may be of assistance to immediately distribute the working file of this firm, containing the documents which show the depth of study, if you like, that was made in order to compute its costs, etc.

Mr. Bullbrook: In connection with the Canada Square building?

Mr. Shibley: In connection with the new head office building as laid down by the specifications delivered by Mr. Candy in January and February of 1972.

Mr. Chairman: All right, but I would still like ~~to see~~ us to get the information ^(u) as to the structure, a rough idea of the cost of the structure ^{of} the curtain wall, etc., that he did mention. Are you wanting this to be an exhibit? ~~I believe~~ I ~~claim~~ ^{believe} it to be exhibit 170, and that is the whole file?

June 20, 1973
11.10-11.15 a.m.
M.F.

H - 603 - 2

Mr. Shibley: That is correct. All right. Now returning for the moment, Mr. Smith, you mentioned that you had spoken to Mr. Tamblyn respecting mechanical, and ^{had} ~~now~~ you also obtained a figure for electrical?

Mr. Smith: Yes, I talked to Mr. Mulvey, and at the time that we put in our proposal he stated he could design ~~a building~~ and the electrical in a building for \$2.25.

Mr. Shibley: Now this was an electrical installation that complied with the specifications laid down by Mr. Candy?

Mr. Smith: That is right.

Mr. Shibley: And similarly, with respect to your figure for mechanical, that figure was a figure provided on the basis of those specifications?

Mr. Smith: That is right, but I haven't confirmed that with Mr. Tamblyn.

Mr. Shibley: Is Mr. Mulvey also with Tamblyn, Mitchell?

Mr. Smith: Well, he has a separate firm but ~~he works~~ they work together.

Mr. Shibley: Now, then, Mr. Smith, am I correct that it is the same firm of Tamblyn, Mitchell, which ^{US} ~~was~~ currently working with Canada Square on this very building?

Mr. Smith: That is right.

Mr. Shibley: So that these figures emanate ~~from~~ from the same engineering firm ^{that} ~~as~~ is involved in the actual structure?

Mr. Smith: That is right.

Mr. Shibley: Do I take it that these are very basic elements in the cost calculation ^{and} ~~of~~ mechanical ^{and} electrical?

Mr. Smith: Yes.

Mr. Shibley: When you talk ^{ed} about the structure itself you mention ^{ed} concrete. Is that a factor respecting which costs fluctuate?

Mr. Smith: No, not that much.

Mr. Shibley: Not that much. So that now we have got the cost of the concrete, the cost of the mechanical ^{and} electrical,

June 20, 1973
11.10-11.15 a.m.
M.F.

H - 603 - 3

(Mr. Shibley)

what else would you require to know in order to reach your rough estimate?

Mr. Smith: You would really need some outline drawings and specifications on that building. I can't ~~→~~

~~Mr. Shibley: It has been said that there is to be a~~
~~new~~

Tape H - 604 follows

June 20/73
11:15 = 11:20 am
CA

H-604-1

~~(Mr. Smith)~~

~~drawings and specifications on that building. I can't...~~

Mr. Shibley: It has been said that there is to be a mirror curtain wall which is very expensive. Can you give any estimate of the cost of that type of wall?

Mr. Smith: I believe my thought on that was that it would cost an extra \$1 a square foot.

Mr. Shibley: That is in excess of \$1 million for the building. Is that correct?

Mr. Smith: Yes. Over standard curtain wall, I thought it would probably cost an extra \$1 a square foot, yes.

Mr. Gaunt: Just on a point of clarification--

Mr. Smith: You have to measure things, and take them off. But my opinion was that it would cost \$1 a square foot on building space.

Mr. Shibley: When you gave that figure--

Mr. Genest: Extra?

Mr. Smith: Extra, yes.

Mr. Bullbrook: Over the standard curtain wall.

Mr. Shibley: When you gave that figure of \$24 or \$26 a square foot, was that inclusive of the extra \$1 a square foot?

Mr. Smith: I think you could ~~put that in the~~ ~~building~~ include that in the \$26 building.

Mr. Chairman: Mr. Gaunt, you had a question, a point to clarify?

Mr. Gaunt: Right. And my point, Mr. Chairman was this. What do you include in cladding costs? Would the curtain wall be a cladding cost item?

Mr. Smith: Yes.

Mr. Gaunt: So that the \$1 per square foot extra would be over and above your basic cladding costs?

Mr. Smith: Yes.

Mr. Gaunt: What is your basic cladding cost?

Mr. Smith: I would say \$1.30 a square foot, possible \$1.50.

Mr. Gaunt: What about elevator costs?

Mr. Smith: I beg your pardon?

June 20/13
11:15 - 11:20 am
CA

H-604-2

Mr. Gaunt: Moving away from that, just for a moment, what about elevator costs? Do you have any figures on that?

Mr. Smith: We had elevator costs at the time per square foot, ~~and~~ ^{we} got elevator costs from Otis.

Mr. Gaunt: And you have a square foot price for architectural costs?

Mr. Smith: Well your precast is in your architectural costs. I ~~was~~ really taking it from buildings that we had done of a comparable size.

Mr. Gaunt: Okay. So that the architectural cost would actually be built into the structural cost, would it?

Mr. Smith: No. I would say the structural were separate; ~~and~~ the architectural would include your glass and your glazing and your precast and your elevators. They are what we would include in the architectural costs.

Mr. Gaunt: So that all of the costs you mentioned would include architectural costs?

Mr. Smith: Yes.

Back to you,

Mr. Chairman: ~~Thank you~~. Mr. Shibley,

Mr. Shibley: Mr. Smith.

Mr. Genest: I'm sorry. Did ~~he~~ ^{we} ~~give~~ ^{got} a figure of elevator costs?

Mr. Chairman: I'm sorry, Mr. Genest.

Mr. Smith: Yes.

Mr. Genest: What was the figure? I didn't note it.

Mr. Gaunt: \$1.30.

Mr. Smith: Precast.

Mr. Genest: No, for elevators?

Mr. Gaunt: Oh, I'm sorry.

Mr. Smith: That was precast.

Mr. Chairman: Mr. Shibley tells me that he is going into

^{these} ~~these~~ figures. I wanted him to give me how the \$26 per square foot was arrived at. And I think you say, Mr. Shibley, it is set out later on in these documents.

Mr. Shibley: We'll get into the documentation in a moment. I just want to talk generally.

June 20/73
11:15 - 11:20 am
CA

H-604-3

Mr. Chairman: And I think on that basis, Mr. Genest, that will give someone at a later date an opportunity to say whether that \$26 is there or not there.

Mr. Genest: Mr. Chairman, I'm a little confused. I thought that Mr. Smith was being asked what it would cost to build the Canada Square building. That is how this exercise started out, as I recall. And now we seem to be back into his cost of building ~~what~~ the building he was going to propose. I'm confused.

Mr. Chairman: On the basis that I assume ^{a lot of} ~~the same~~ the requirements are the same for both buildings.

Mr. Shibley: The specifications for the building were the same for the four developers.

Mr. Genest: But I think it should be made clear whether Mr. Smith is talking about the Canada Square building, as he has seen it, or the building he was going to put up.

Mr. Chairman: I think that is quite fair. In other words, when we ^{get into} ~~go over to~~ Mr. Smith's figures on his ~~calculations for a~~ building then...

H-605-1 follows

June 20/73
11.20 to 11.25 am
DT

(Mr. Chairman)

~~the same~~
calculation for a building, then we should differentiate whether this is for his building and how Canada Square might differentiate from that. I think that's fair.

Mr. Shibley: For the assistance of the committee, I don't know how much turns on this in any event because I take it that this witness's evidence is that the cost to him was going to be \$32 ~~per~~ per square foot, ~~926~~ plus ~~34~~⁷⁶, and when you compare that with the \$34 ~~per~~ that Canada Square has quoted there is now a divergence of only \$2 ~~per~~ per square foot, and the real question is whether at really the same cost of construction, or within \$2 ~~or~~ of one another of cost of construction, this company was prepared to build a building of the same quality as Canada Square at equivalent costs at a lower rent, because even at \$28 ~~per~~ per square foot plus ~~34~~⁷⁶ for these other factors, the rate worked out to \$4.71 as compared to \$4.94 by Canada Square.

Mr. Genest: Yes, but this is not the way this exercise started out, with respect, Mr. Shibley. The witness ~~stated~~^{stated} his impression was that the Canada Square building was costing \$24 ~~to~~ to \$25 ~~per~~ per square foot

Mr. Shibley: Yes.

Mr. Genest: That's what I have down here.

Mr. Shibley: The cost of construction.

Mr. Genest: Now, are these figures now his estimates of what's going into that building that we see on the floor here?

Mr. Shibley: Yes.

Mr. Genest: Or is it a building that he was proposing back in 1972 be built?

Mr. Shibley: The factors we are talking about, Mr. Genest, are very basic ~~and~~ factors which are common to the Ontario Head Office building no matter who built it. That's my understanding, is that not so, Mr. Smith?

Mr. J. D. Smith: Yes,

June 20/73
11.20 to 11.25 am
DT

Mr. Chairman: There may be a difference when we come to such things as curtain walls or special features that the Canada Square building has, but ^{PRESUMABLY THE} ~~the same~~ costs of ^{is} the concrete the same and the same specifications for various other items.

Mr. Genest: But if we are going to get into air conditioning and double glazing and so on, it is going to be hard to keep ^{THIS THING STRAIGHT} it seems to me.

Mr. Shibley: ~~Mr. Genest~~ Mr. Genest, I thought we had our touch stone when we relied upon the specifications provided by Mr. Candy, isn't that so?

Mr. Genest: I am with you, Mr. Shibley. If we are sticking to that, that's fine, I mean, subject to my earlier objections, but ^{what} ~~it~~ is certainly confusing to me is that we are not distinguishing between what Mr. Smith was going to have in mind, ^{AS} ~~the~~ building, in 1972, on the basis of his proposal and what he sees now, because that's the way it started out, ~~and~~ If we can then depart from the way we started out, I will be quiet because I will be able to follow the evidence.

Mr. Chairman: When we are coming to figures, we will have to get both figures for the building Mr. Smith was going to build and how it ~~may~~ might differ from Canada Square.

Mr. Gaunt: Well, Mr. Chairman, may I just clarify my line of questioning, I was predicating my questioning on the basis of the specifications which were issued to Mr. Smith by Ontario Hydro, and I presume that those same specifications were issued to all other developers.

Mr. Shibley: That's right, and I must say I ~~was~~ ^{AM} ~~am~~ going on the same basis, and if Canada Square comes along later, as I mentioned before, and says - "yes, but in addition to what was specified, we are incorporating in this building a certain number of additional design, mechanical and other features that add to the cost," well that's fine.

Mr. Genest: I am sorry to take up the time of the committee. I thought it was important to clarify that.

H605-3

June 20/73
11.20 to 11.25 am
DT

Mr. Chairman: I think your point has been well taken.

Mr. Shibley: Now then, Mr. Smith, again, in terms of cost of construction, is the amount of area per square foot built into any structure an element that enters upon its cost of construction?

Mr. Smith: An amount of area per floor you mean?

Mr. Shibley: Yes, per floor.

Mr. Smith: Well, I would think the larger the floor is, you can get more re-uses. You can get a good run at that building where you have got larger floors.

(H-606 to follow)

June 20/73

11:25 - 11:30 am

C.B.

~~(Mr. Smith)~~

~~the larger the floors you can get more panels, you can
get a good run at the filling where you've got larger floors.~~

Mr. Shibley: Does that reduce your costs?

Mr. Smith: Yes, it does.

Mr. Shibley: And would that be the case with respect to this particular building?

Mr. Smith: Yes. I don't really think it would be that appreciable, but I would think it would reduce the structure a bit.

Mr. Chairman: This particular ^{building} ~~building~~ is Canada Square?

Mr. ~~Shibley~~ Smith: ~~Yes~~ Yes or any building if ^{THE} we designed ~~the~~ building it would still be a little bit cheaper on the structure.

Mr. Shibley: Now you know ^{what} ~~what~~ the interior ^{is that is} ~~finish~~ intended for this building?

Mr. ~~Shibley~~ Smith: Yes

Mr. Shibley: What is it?

Mr. ~~Shibley~~ Smith: I believe sheet rock on the exterior walls and I believe there is vinyl on the sheetrock. It has an acoustic ceiling with fluorescent lights. There is no underfloor duct work and the electrical is to be run down with jiffy poles from junction boxes in the ceiling. I believe the columns are exposed concrete or textured concrete. The floors are exposed, ^{tr} ~~tr~~ finished concrete, and I believe there is tile or brick pavers around the elevator lobby.

June 20/73

11:25 - 11:30 am

C.B.

Mr. Shibley: Have you any comment to make respecting those finishes in terms of cost?

Mr. ~~Allen~~ Smith: The carpet left off the floor would be a fair saving if Hydro had put in the carpet. ~~That~~ That would be a fair saving. I think ~~if~~ if you figured ^d an office building you wouldn't put carpeting in. Although they are doing it now. They used to put vinyl, probably vinly or vinyl ^{ASBESTOS} ~~asbestos~~ tile in and it would be about 50 cents a foot I think, and so ~~you know~~ that would come off the price. Certainly exposed concrete columns, I don't think are too expensive. ~~and~~ I didn't feel that the interior finishes were too elaborate. Certainly not, compared with ~~the~~ Commerce Court, or what have you.

Mr. Shibley: You are familiar with the circumstance that a certain amount of area for executive offices was allocated?

Mr. Smith: Yes

Mr. Shibley: Have you any comment as for the allowance for finishing in that area?

Mr. Smith: I thought it was light, but then again I think that is kind of minor item. I forget what it was really, how much as square foot it was. I think it was about \$4, wasn't it?

Mr. Shibley: Yes.

Mr. Smith: That seems light to me.

~~xxx~~ Mr. Shibley: Four dollars for 15,000 square feet.

Mr. Smith: Seems light to me.

Mr. Shibley: What do you mean by "light"? ^{Do you} ~~mean~~ mean it would cost more than that to finish off 15,000 square feet?

June 20/73

11:25 - 11:30 am

C.B.

Mr. Smith: I would have thought it would have been a little more.

Mr. Genest: I'm sorry to be obstreperous, I really don't mean to. ~~Where~~ ^Where does the \$4 allowance come from?

Mr. Shibley: Sixty thousand dollars is an allowance item for the finishing.

Mr. Genest: In the Candy specifications?

Mr. Shibley: Actually, this is right from the Canada Square contract.

Mr. Genest: From the ^aCanada Square contract?

Mr. Chairman: That is where ^a I think we are ^{confused} getting ~~to~~ ^{now}.

Mr. Genest: Yes, what building are we talking about?

Mr. Chairman: I think on each of these we've got to make certain of what building we are talking about, because I ^{MUST ADMIT} ~~thought you were referring~~ ^{up to this point} I thought you were referring to Candy's specifications at this point.

Mr. Shibley: Were you ever asked to zero in on the allowance for executive suites?

Mr. Smith: I don't think so, but I don't recall.

Mr. Bullbrook: I want to interject.

Mr. Chairman: Mr. Bullbrook.

Mr. Bullbrook: So that, Mr. Chairman, you understand what I'm understanding, okay? And so that Mr. Genest understands what I am understanding. I'm understanding that counsel is examining the witness as to his opinion as to certain costs in the Canada Square building at the present time.

Mr. Genest: That's not what he said a minute ago.

Mr. Shibley: Just a minute. ~~Yes, yes~~ ^A am I to take from counsel for Hydro's statements that we are ~~unable~~ not able to rely upon the basic specifications laid down

↓

H 607-1

June 19/73
11:30-11:35 am
PLG

(Mr. Shibley)

~~or the basic specifications laid down~~ by Mr. Candy when we are talking about the Canada Square building? If that is the case then, yes, I agree I can't ask the ~~about~~ line of questions that I ^{am} embarked upon. I presumed that the building that is under construction is basically the building as specified by Mr. Candy, with variations by Canada Square, but in terms of the items we are talking about, that they would have been basic to any structure. Now am I ~~was~~ wrong as to that?

Mr. Genest: No, I don't understand it that way, Mr. Shibley. ~~You know~~ As long as we are thinking along the same lines, I don't think the committee is following this. I shouldn't presume to speak for them, but we are moving constantly from Mr. Smith's own costs based on the Candy specifications. Then he is commenting on some finishes that he seems to be seeing in the Canada Square building without any reference as to whether he would have included those or not. I am not at all clear ~~on~~ *on that* ~~the man~~. I don't know if the committee is or not.

Mr. Shibley: Can we start with Mr. Candy's report of February 1, 1973, Exhibit 52, ~~which he outlines the specifications to all builders~~ ⁱⁿ which he outlines the specifications to all builders?

Mr. King: Does the witness have a copy?

Mr. Chairman: Yes. Give the witness a copy, ~~please~~.

Mr. ~~Mr.~~ Smith: I have got that.

Mr. Shibley: Now it sets out the site conditions, ~~and~~ ^{and} requirements of the building, ~~it~~ ^{it} talks about such things as the type of elevators, the number of elevators, the vault, ~~and~~ I am sorry under ~~2(c)~~ ^{2(c)} it talks about,

"15,000 square feet of executive offices, including a board room."

It talks about,

"A medical ~~suite~~ ^{suite} with seven two-piece washrooms."

It talks about the load of the floor, it talks about ~~finishes~~ ^{finishes} -- "all ~~Finished on office floor~~ floors to be left in concrete with floor coverings to be provided by



H 607-2

June 19/73
11:30-11:35 am
PLG

(Mr. Shibley)

Ontario Hydro, service areas to have vinyl," washrooms and so on. All windows to be double-glazed with hermetically sealed, ~~making~~ heating-absorbing double glazing and solar bronze. Meeting room on the ground floor, provide fixed masonry partitions only. Provide normal maintenance facilities in sub-basement, and so on. Provide as much rentable commercial area at ~~ground~~ ground, and so on, for banks. It sets out the electrical specifications, including a 600-volt system, ~~a~~ no under-floor duct system; lighting at 150 foot-candle power at desk level. The mechanical specifications are set out as to the form of ventilation that is required. The turnover of air, the temperatures and humidity. The financial specs are on the next page. ~~There~~ are not into that area at all with the ~~witness~~ What Hydro will pay and provide in terms of lighting tubes, etc.

x venetian blinds, drapes, broadloom, Item 5-9 5(h)

"Provide and install all carpet flooring"

These are the things we ~~are~~ are talking about ~~and~~ unless, Mr. Genest, you are telling us now, and it will be the first time I have heard it that these specifications are not being followed in the construction of this building by Canada Square, then I will forget about the line of questioning.

Mr. Genest: No Mr. Shibley, I am not raising any issue here. My issue is one of straight understanding of what we are talking about. That is the only difficulty I have.

Mr. Shibley: Mr. Chairman, I want to understand ~~what the~~
why ^{your} Council for Hydro is attempting to distinguish between the
building Canada Square is building and these specifications.

Mr. Bullbrook: I think Mr. Genest is concerned, Mr. Shibley and Mr. Chairman, about our understanding of it, and we want to make a day to rest, as council for the committee has done Mr. Genest, if I may thoroughly you Mr. Chairman. Our acceptance of this evidence that

Page 4605

June 19/73
11:30-11:35 am
PLG

(Mr. Shibley)

Ontario Hydro, service areas to have vinyl, washrooms and so on. All windows to be double-glazed with hermetically sealed, ~~makin~~ heat ~~absorbing~~ double glazing, and solar ~~bronze~~. Meeting room on the ground floor, provide fixed masonry partitions only. Provide normal maintenance facilities in sub-basement, and so on. Provide as much rentable commercial area at ~~room~~ ground, and so on, for banks. It sets out the electrical specifications, including a 600-volt system, ~~a~~ no under-floor duct system; lighting at 150 foot-candle power at desk level. The mechanical specifications are set out as to the form of ventilation that is required. The turnover of air, the temperatures and humidity. The financial specs are on the next page.

We are not into that area at all with the ~~contract~~. What Hydro will pay and provide in terms of lighting tubes, etc. a venetian blinds, drapes, broadloom. Item ~~5-28~~ 5(h)

"Provide and install all carpet flooring"

These are the things we ~~are~~ are talking about and unless Mr. Genest, you are telling us now, and it will be the first time I have heard it, that these specifications are not being followed in the construction of this building by Canada Square, then I will forget about the line of questioning.

Mr. Genest: No Mr. Shibley, I am not raising any issue here. My issue is one of straight understanding of what we are talking about. That is the only difficulty I have.

Mr. Shibley: Mr. Chairman, I want to understand ~~whether~~ why ~~Council~~ for Hydro is attempting to distinguish between the building Canada Square is building and these specifications.

Mr. Bullbrook: I think Mr. Genest is concerned Mr. Shibley and Mr. Chairman, about our understanding of it, and we want to ~~make~~ lay to rest, as council for the committee has done Mr. Genest, if I may through you Mr. Chairman. Our acceptance of this evidence that

June 20, 1973
11.35 - 11.40 a.m.
M.R.

Mr. Shibley: All it says is that they are

to provide 15,000 square feet of executive offices, ~~and~~ what has transpired, Mr. Chairman, is Canada Square has come along and said, "We will provide it but we are only going to make you an allowance of \$60,000 to provide it." If those offices cost more than that, then it's at Hydro's cost.

Mr. Chairman: And now Mr. Smith is telling us that \$4 a square foot does not give a very plush executive office.

Mr. Shibley: Well, ~~what~~ what he is saying is that \$60,000 ~~to~~ develop 15,000 square feet of executive offices is light, using his term.

Mr. Chairman: Well, now, ~~I~~ ^{I could} keep that understanding of what figures we are talking about at what time, I would be obliged and I think we would all be obliged.

Mr. Shibley: Mr. Smith, I want to take you now to your files, ~~which~~ ^{which} is ~~an~~ ^{an} exhibit, ~~and~~ the first page appears to be a statement or ~~memorandum~~ memorandum from Mr. Stewart referable to his meeting with Mr. Candy on July 14. That's the meeting to which you made reference earlier. Is that correct?

Mr. Smith: That is right.

Mr. Shibley: And in this memorandum, I notice ~~an~~ ^{an} item ~~as~~ ^{as} they desire to proceed with their \$30 million administration building at the ~~earliest~~ ^{earliest} possible moment possible. They feel, they have over-committed themselves to raising money and wish to enter into a lease-back deal. ~~embodied~~ ^{This would embody} (a) \$30-million financing, 30-year lease-back with sale of the building after 30 years for \$1.00; ^(b) possible acquisition of the present building at 620 University.

~~So that~~ Did this reach you? This memorandum?

I notice ~~it is for your direction~~ it's directed to you; a copy to D.J. Smith, at the bottom.

Mr. Smith: Yes.

H-608 - 3

June 20, 1973
11.35 - 11.40 a.m.
M.R.

Mr. Shibley: So that as early as July, 1971, you were aware that they were thinking of a lease-purchase transaction with this type term?

Mr. Smith: That's right.

Mr. Shibley: And then item 7, ^{and G.S.} plans and specs exist, prepared by Shore, ~~Moffat~~, ~~Adamson~~ Work could proceed in ~~this~~ the spring. Again that's a confirmatory that what you were then talking about was a lease-purchase on the existing plans. Is that correct?

Mr. Smith: That is right.

Mr. Shibley: Now in that connection, was there any discussion about expanding the area to being provided by those plans? The original plans?

~~Mr. Smith: I don't think so. I think~~



H-609 to follow

June 20th, 1973

11.40 - 11.45 am

H 609 - 1

AA

(~~Mr. J. D. Smith~~)

Mr. ~~Smith~~ Smith: I don't think so. I think the plans provided for extension but ~~Smith~~. I'm almost sure we didn't talk about the expansion ~~Smith~~ at that time.

Mr. Shibley: Then there is another memorandum, report number two, dated ~~5/20/73~~ ¹⁹⁷¹ This is relative to the meeting you say you had following upon Stewart's earlier communication with Candy, and again sets out the particulars respecting the kind of deal that was being discussed at that time.

Mr. ~~Smith~~ Smith: ~~That's~~ That's right.

Mr. Shibley: I notice ~~with~~ under item five, estimated costs ~~as~~ ^{is} \$30 to \$31 per ~~square~~ square foot. Was that an inclusive figure?

Mr. ~~Smith~~ Smith: ^{No,} I think that, Mr. Shibley, was the basis on which the architects were paid off.

Mr. Shibley: That is the basis on which they computed their fee?

Mr. ~~Smith~~ Smith: Computed their fee; I think that is what he means there.

Mr. Shibley: Well then, would that be a figure that might be paid for the originally designed planned building, on the basis of having a builder construct it with Hydro as the owner?

Mr. ~~Smith~~ Smith: I think that they agreed that the architect said it could be built for \$30 or \$31 and that is why they received their fee on that amount.

Mr. Shibley: That would be built for that price in the ordinary manner, not on ^a lease purchase transaction?

Mr. ~~Smith~~ Smith: No, it would be ~~built~~ built for ~~the same~~ in the ordinary manner, the cost of the building.

Mr. Shibley: Now then, the next document ~~is~~

Mr. ~~Smith~~ Smith: The architects are paid on the actual contract price.

June 20th, 1973

11.40 - 11.45 am

H609 - 2

AA

~~(Mr. Shibley)~~

Mr. Shibley: The next document has got January 10 in the upper right-hand ^{corner} and appears to me to be a series of items which would be the verbal specifications provided to you on that date. ~~These~~ These accord with the written specifications ~~to~~ to which we have already referred earlier. ^{Is that} right?

Mr. ~~Smith~~ Smith: That's right.

Mr. Shibley: Were these two sheets all of the information that you were provided with for purposes of soliciting a submission by your firm?

Mr. ~~Smith~~ Smith: That's right. The bottom one, two and I can't see if it says three, ~~these~~ were added by us. ^{Actually} ~~Some~~ Ian Stewart or Jack ^{Simms} ~~Smith~~ I am not sure which, wrote ~~these~~ these in longhand and then they typed them up so ^{we} ~~they~~ could read them.

Mr. Shibley: But ~~on~~ on January 10th, that was the whole of the information provided to you, namely what is on pages one and two, less the enumerated portions on the second page?

Mr. ~~Smith~~ Smith: That's right. ^{Leave} ~~Those~~ ~~are~~ ^{our} questions.

Mr. Shibley: Well then, could you explain what the next document is?

Mr. J. D. Smith: I forgot ~~this~~ ^{this was} I don't know if I've seen ^{it}.

Mr. Shibley: What document are you looking at Mr. Smith?

Mr. Smith: "Point ^{re} ~~to~~ Hydro?" Is that the one you meant?

Mr. Shibley: Yes.

Mr. Smith: That looks like a memo from Jack Simms to me on just points that we should make sure we have in our proposal. In other words, when we were working on this everybody was writing down things to remember or not to forget and it looks like a memo from Jack Simms to me.

June 20th, 1973

11.40 - 11.45 am

H 609 - 3 AA

~~(Mr. Shibley)~~

Mr. Shibley: Now, in that connection, ~~the~~ the second item relates to ways of raising money and says ~~"Ames"~~ "Ames" ~~and~~ I gather that someone at A.E. Ames ~~was~~

Mr. Smith: That's right.

Mr. Shibley: ~~He~~ says you could raise it by public bond issue, private ^{bond} issue and mortgage. Did anyone at Hydro alert you to the circumstance that ~~Safrance~~ Safrance and Company were offering ~~a~~ funds for this project?

Mr. Smith: No.

Mr. Shibley: You were never told of that ~~and~~ circumstance?

Mr. Smith: No, I ~~did~~ knew someone at Ames. I went and spoke to him, ~~and~~ ~~Mr. Sifton~~ ~~he~~ knew someone at WoodGundy and we spoke to both ~~of them~~ ^{firms.}

Mr. Shibley: I see. Now then, there are ~~two~~ additional items referable to maintenance, such as items four and five, the latter being elevator maintenance ~~and~~

Mr. Smith: Yes.

~~Mr. Shibley: And then, about the maintenance, and then various people, such as the~~

H 610 - 1 follows

June 20, 1973
11.45-11.50a.m.
B.A.

H-610 - 1

Mr. Shibley:

and so on, to check landscaping, attend on various people, Jack Robinson at Commerce Court, "Wood Fleming run Travelers."

Mr. Smith: Right.

Mr. Shibley: Item 9; "Travelers building has a restaurant," and so on.

Item 12; "Lewis of Royal Trust says the way escalation of maintenance work is as follows: In first full year (75 per cent) a good record is kept of the costs. Assume costs are \$1 million. ^{In} the next year, ^{assume} costs are \$1.1 million. " The extra being ^{pro}rated among the tenants. Does that assume a 10 per cent increase in cost of maintenance per year?

Mr. Smith: I actually didn't pay much attention to that, Mr. Shibley. These are just notes that Jack put down and we used them when we, — I didn't get into that.

Mr. Shibley: ~~Was~~ When you computed your rental rate, you incorporated a factor for maintenance, ^I is that correct?

Mr. Smith: Oh, yes, certainly.

Mr. Shibley: And was that a factor which projected forward the ~~was~~ cost of maintenance to 1975?

Mr. Smith: Yes.

Mr. Shibley: It did?

Mr. Smith: Yes.

Mr. Shibley: All right. Then would you take the next document, please? Just to be sure we are talking about the same document, would you describe it?

Mr. Smith: I think that was made the day we put in our proposal.

Mr. Genest: Does that start, ["] Total rent,

889 ["] ?

Mr. Shibley: Yes.

June 20, 1973
11.45=11.50a.m.
B.A.

Mr. Smith: That's a telephone number. I don't know whose it is, but it is. Maybe we should phone them and see who it is. I have been tempted to ever since I saw that.

Mr. Bullbrook: Maybe we should perhaps!

Mr. Shibley: Now, the first page^{is} of interest,

Mr. Smith: What is the \$3.23? Is that the cost of construction?

Mr. Smith: That is cost of construction, and I believe there is a breakdown of that later on.

Mr. Shibley: Right. And does that figure incorporate any profit element?

Mr. Smith: The \$3.23?

Mr. Shibley: Yes.

Mr. Smith: ~~xxxxx~~ Yes, that includes our one per cent building profit.

Mr. Shibley: Then you have another item, "Maintenance 95⁰" Is that 95 cents a foot?

Mr. Smith: Is that which?

Mr. Shibley: 95 cents per foot?

Mr. Smith: Yes.

Mr. Shibley: So that ~~and~~ when you submit^{ted} a figure^{of} I believe it was \$1.26, \$1.23 ~~any~~

Mr. Smith: \$1.23, yes.

Mr. Shibley: ~~per~~ per square foot that was a markup on what you were projecting your cost of maintenance of 28¢ per square foot.

Mr. Smith: That's right.

Mr. Shibley: Is that right?

Mr. Smith: Right.

Mr. Shibley: Then you have a profit factor of ~~if~~ another 28 cents per square foot, (What is that figure? Does that incorporate the profit on maintenance^{nance} as well as your overall profit?

Mr. Smith: You are talking about ~~the~~ the middle figure?

Mr. Shibley: First you have maintenance. The cost to you would be 95 cents a square foot.

June 20, 1973
11.45-11.50 am
V.H.

Mr. Smith: Right.

Mr. Shibley: ~~That~~ was your computation?

Mr. Smith: Yes.

Mr. Shibley: Then you have a profit factor of

28 cents?

Mr. Smith: Right.

Mr. Shibley: How is that profit factor made up?

Mr. Smith: By just figuring how much profit you would like to make!

Mr. Shibley: It's a random figure?

Mr. Smith: If you ^{thought you could only} ~~are only going to~~ get 22, you'd only put 22 in. If you ^{thought then} can stand 28, you'd put 28 in!

Mr. Shibley: What I am trying to get at is, profit for what? Profit for maintaining the ~~building~~ building?

Mr. Smith: Profit for maintaining over the 30-year period.

Mr. Shibley: Is that how the \$1.23 was arrived at?

Mr. Smith: Yes.

Mr. Shibley: Ninety-five plus 28?

Mr. Smith: That's right.

Mr. Shibley: So that you have got a total of \$4.46, and this was based on a \$26 building?

Mr. Smith: That's right.

Mr. Shibley: Cost ^{of} ~~up~~ construction?

Mr. Smith: Cost of building - right.

Mr. Shibley: For a \$32 building?..

Mr

Mr. Smith: Right.

Mr. Shibley: ~~And~~ All in? Is that right?

Mr. Smith: That's right.

Mr. Shibley: Now then the next set of figures are what? This is ^{at} \$24 a square foot, the same figures ^{are there?} On the ^{face} page, previous to that, just below it.

June 20, 1973
11.45-11.50 am
V.H.

Mr. Smith: Just below that? That's right,

yes.

Mr. Shibley: So you also computed the same figures at ~~\$~~24 and at ~~\$~~22? Is that correct?

Mr. Smith: That's right.

Mr. Shibley: Now, Mr. Smith, did you consider it possible to meet the specifications laid down by Mr. Candy at a cost of construction as low as \$22 or \$24 per square foot?

~~Mr. Smith:~~

H-611 follows

June 20/73
11.50 - 11.55 a.m.
R.E.S.

H-611 - 1

(Mr. Shibley)

~~Mr. Smith: I think at the time I must have thought we could meet it at \$22.~~

Mr. Shibley: Yes.

Mr. Smith: But really, you don't know it's \$22 until you have some plans and can take something off and make sure that it's satisfactory. Obviously I ~~was~~ must have thought we could do it at ~~that~~^A time for \$22.

Mr. Shibley: So the range of your thinking as at January 1972, based on the specifications provided to you, was somewhere between \$22, \$24, \$26 per square foot?

MR. Smith: That's right.

Mr. Shibley: The \$26 was at the high end of your range of thinking?

Mr. Smith: That's right.

Mr. Shibley: Now then, on the next page you have operating costs broken out, ~~and~~^A Are these the items that entered into your computation that you could maintain this ~~kind~~ type of building at a cost of 95 cents per square foot?

MR. Smith: That's right.

Mr. Shibley: Now, Mr. Smith, are you satisfied that this list of ~~our~~ operating costs is all-inclusive of the cost that any developer would incur in the maintenance of this building under the terms laid down by the specifications?

MR. SMITH: We thought it amply covered everything. Mowbray Sifton did a breakdown and this chap, whose name and I can't remember ^{THERE BECAUSE} maybe you'll have it later in ~~my~~ your file -- he advised us and then we did a breakdown, ~~and~~ Bayley and I and Jack Simms, and we all went to work on each item. As you can see some of them have got check marks opposite them, and they are ~~there~~ you kind of haggle back and forth, and somebody gets a better price on this or that, so this was what we honestly believed we could maintain it for, and we thought it was a safe figure.

June 20/73
11.50 - 11.55 a.m.
R.E.S.

H-611 - 2

Mr. Shibley: ^{You} Thought it ~~was~~ was a safe figure at 95 cents a square foot?'

Mr. Smith: That is right.

Mr. Shibley: Yes?

Mr. Genest: Mr. Shibley, I wonder, ~~is~~ just to clear one thing up, would the 95 cents include a profit for ~~Sifton~~ Sifton?

Mr. Shibley: NO ~~and~~

Mr. Smith: NO, that's the net cost ~~and~~

Mr. Shibley: ~~the~~ the profit was in the 28 cents first that was added in on the ~~page~~ page. That's correct, isn't it, Mr. Smith?

Mr. Smith: Yes. I think a profit can also be considered a bit of a cushion if ~~you~~ you are a few cents out here and there, ~~and~~

Mr. Shibley: Yes. This 95 cents was the cost to you ~~and~~

Mr. Genest: Or Sifton.

Mr. Shibley: Or Sifton, is that correct?

Mr. Smith: Yes.

Mr. Shibley: Without a profit ~~element~~ ELEMENT?

Mr. Smith: NO, no. There is nothing -- you can see there is nothing there; it's broken right down. Add them up and that's what they come to.

Mr. Shibley: ^{Yes.} Can we go to the ~~next~~ next page please? It's starting ^{with} this greasy paper. It's this one. The greasy paper. ~~Mine starts off "rentable area to hydro"~~ Mine starts off "rentable ^B area to hydro". Is that the same as your document, Mr. Smith?

Mr. Smith: That's mine, yes.

Mr. Shibley: Yes. Would you explain that document ~~to~~ to the committee please?

Mr. Bullbrook: I'm sorry, it starts out?

Mr. Shibley: Rentable area to Hydro, ~~one~~ ^{ONE} million ~~sq. ft.~~ gross 1,130,000."

CHAIRMAN: ~~CHAIRMAN~~ Do you have that, Mr. Genest?

June 20/73
11.50 - 11.55 a.m.
F.E.S.

H-611 - 3

Mr. GEest: Yes, I do. ~~Th~~ank you, Mr. Chairman.

Mr. Bullbrook: The next one I have is headed

"Ontario Hydro, Cost/Rental Comparison."

Mr. Smith: NO, we've got it.

Mr. Walker: There's some paper

Mr. Shibley: These are short forms.

~~Mr. Bullbrook~~: All right. Would you explain the outline of ~~figures~~ figures set forth in that document, please?

Mr. Smith: Well, we were told to quote on a ~~map~~ that Hydro would rent a million square feet. And to get a rentable area of a million square feet, we estimated that you would be required to build 1,130,000 gross square feet in the building. And I believe that we planned on renting 50,000 square feet for commercial space and I think the 20⁰⁰⁰ was just an extra that we kept as a cushion in there.

(Tape H-612 - 1 follows)

June 20, 1913
11:55 - 12:00 N
JLP

(Mr. J.D. Smith)

~~50,000 square feet for commercial space, and I think the twenty~~
~~was just an extra that we kept as a cushion in there.~~ We put 70,000
feet into rent, and we think we were probably told to rent 50,000,
but I think we put ^{70,000} in thinking that might be all right, that
we might rent ~~70,000~~.

Mr. Shibley: Then, when you have computed the cost of
the building at \$31 million, what entered into that calculation?

Mr. ~~Smith~~ Smith: I believe that that's ~~\$31 million~~ ^{\$1,200,000},
~~200,000~~ multiplied by 26. I would have to

Mr. Shibley: That's the way I make it ~~\$31 million, 200.~~ ^{\$1,200,000.}

Mr. ~~Smith~~ Smith: I think I rounded it off at ~~\$31 million~~ ^{\$1 million}
—those kind of figures you can round off a bit.

Mr. Shibley: And then you added in the cost for the
tunnels?

Mr. J.D. Smith: That's right.

Mr. Shibley: You added in architectural fees?

Mr. J.D. Smith: Right.

Mr. Shibley: For a total cost of \$33 million, and then
you added in your interest charges of ~~\$4 million, 240,000.~~ ^{\$4,240,000?}

Mr. Smith: Right.

Mr. Shibley: And cost of issue and retainer together
another \$1 million, for a total cost of ~~\$38 million, 500,000.~~ ^{\$38,500,000.}

Mr. Smith: That is right.

Mr. Shibley: And you worked your amortization cost of
the total cost of the structure ⁱⁿ all-inclusive of cost of financing,
etc. Is that correct?

Mr. Smith: That's right.

Mr. Shibley: And you came up with \$3.23 per square foot?

Mr. Smith: I think ~~that~~ we did ~~on a rentable of~~ ^{on a}
~~million and five~~ so we actually had an extra 20,000 feet in there
for a cushion.

Mr. Shibley: I see. So that \$3.23 is actually predicated
on an area less than what might have been the actual ~~rentable~~ rentable
area by 50,000 square feet.

Mr. Smith: No, by 20,000.

June 20/73
11.55 to 12.00 Noon
JLP

Mr. Shibley: I'm sorry, 20,000 square feet. Is that right?

Mr. Smith: Yes.

Mr. Shibley: Now, what's this note at the bottom "efficiency?"

Mr. Smith: I don't know.

Mr. Genest: Do you have a clear copy of that, Mr. Shibley? I can't read the figures at the bottom of my copy.

Mr. Shibley: Mine is as bad as yours.

Mr. Smith: That ~~is~~ Jack Simms' writing, and it looks like \$24 a square foot building. I may have asked ~~him~~ to come up with that. Instead of the \$3.23, you'd have \$2.97 and \$2.76, and that may go back to those other figures.

Mr. Shibley: Yes, because on another copy I have it \$24 SF, square foot cost, and then some ~~etc~~ calculations made \$2.94.

Mr. Smith: Yes, that compares to what I've got on the front here.

Mr. Shibley: And at \$22, \$2.72 per square foot.

Mr. Smith: ~~Yes~~ Yes.

Mr. Shibley: All right.

Mr. Genest: I don't ~~have~~ have it. I'm sorry, Mr. Shibley.

Mr. Shibley: The figures at \$24 ~~a~~ per square foot cost ~~is~~.

Mr. Genest: ~~IS THAT 3,123,240?~~ Three million one twenty three, two forty.

Mr. Smith: Right. That's ~~the cost of the building~~ divided by ~~the cost of the building~~

Mr. Genest: ~~Divided~~ By \$1,050,000?

Mr. Shibley: Yes.

Mr. Smith: Right.

Mr. Shibley: Equals ~~2.974~~ ~~2.974~~ ~~2.974~~

Mr. Genest: ~~2.974~~ ~~2.974~~ ~~2.974~~

Mr. Shibley: Yes.

Mr. Genest: ~~Yes~~ And then \$22 and then the figure underneath that ~~is~~ is \$2 million ~~is~~

Mr. Shibley: Is \$29 million.

Mr. Smith: ~~2,903,280~~ ~~Two nine zero three two eighty~~

Mr. Genest: ~~2,903,280~~ ~~Two nine zero three two eighty~~, equals

June 20/73
11.55 to 12.00 noon
JLP

Mr. Smith: ~~2.764.~~ Right.

Mr. Shibley: Yes.

Mr. Genest: Thank you very much.

Mr. Shibley: If we could go on to the next ~~x~~ document, the next sheet. Could you explain that, please, Mr. Smith?

Mr. Genest: "Net rentable space?"

Mr. Shibley: Yes.

Mr. Smith: ~~the~~ The rentable space is the same. gross area due to ~~this~~ space ~~1130~~ ^{1130,000}, so we got the ~~1,200,000.~~ ^{1,200,000.} The cost of building is out ~~at~~ ^{is a} \$31 million and the architects' fees are a little bit less. Interest based on 30-month building period and 8 per cent interest.

I guess that ~~is a~~ variation on the length of building.

Mr. Shibley: Yes.

~~It seems like a separate computation.~~

~~It seems like a separate computation.~~ It seems like a separate computation. Mr. Smith: I think it was probably the original. I have to think about that. Probably an original, I thought it might be a little tight ~~on the~~ on the building time.

Mr. Shibley: I noticed ~~it~~ it once again makes ~~the comparative computation calculation at \$26, at \$24 and at \$23. I gather these are cost to construct.~~

(Tape H-613 follows)

June 20/73
12.00-12.05 p.m.
E.M.

(Mr. Smith)

~~These are a little bit less. Interest based on 30 months building period and eight per cent interest. I guess that is the variation on the length of building.~~

~~Mr. Shibley: Yes, it seems like a separate computation.~~

~~Mr. Smith: I think it was probably an original~~

~~-- I have to think about that. It is probably an original; I thought it might be in one of the places on the building time~~

Mr. Shibley: I notice it once again makes a comparative calculation at \$26, at \$24 and at \$23. I gather those are cost of construction figures?

Mr. Smith: That's right. I think that was a preliminary before the final one, Mr. Shibley.

Mr. Shibley: That's right. Can we go on then to the next document?

Mr. Bullbrook: Could you just, Mr. Shibley, for a moment; there is only one variable here that I see, ~~as the~~ ^{that is} the cost of the tunnel. I don't know whether it is going to be very important, but in the first document that we looked at the cost of the tunnel was \$300,000 and here it is shown as \$400,000. I don't know whether the witness can recall why the difference or whether it is too important here

Mr. Shibley: Somewhere later on it says, "Don't forget the tunnel". Oh, yes, here it is.

Mr. Bullbrook: Right.

Mr. Shibley: Do you want to comment on that, Mr. Smith?


Mr. Smith: No, I can't comment on that. I think maybe Mr. Bayley might have said, "Maybe we can build it for \$300,000," ^{and} we looked at it or something, I don't know, I don't just recall that.

H-613-2

June 20/73
12.00-12.05 p.m.
E.M.

Mr. Genest: I am sorry to interrupt, Mr. Shibley; to what time are we sitting? I thought it was until noon today. Are we sitting later than that?

Mr. Chairman: No, 12 o'clock. ^{We} mentioned that. I was just going to let Mr. Shibley round off what he is presently doing.

Mr. Shibley: If you will stay with ^{it} ~~us~~, I would like to do as much of a review of this file as we can. The next document is ^{styled} ~~headed~~ "Cash Flow"; ^{What} ~~set out~~ does that ~~cover~~? Again, Mr. Smith, ~~xxxxsmith~~ maybe I can assist you. This appears to be a preliminary work ^{up} ~~down~~ towards 

Mr. Smith: I think it was a preliminary, yes.

Mr. Shibley: ^{cost} ~~of~~ of maintenance.

Mr. Smith: I think it is just things we were trying to get together.

Mr. Shibley: Yes, all right. Can we go on to Ontario Hydro ^{Cost/Rental Comparisons} ~~Cost/Rental Comparisons~~ that is the long sheet. Would you please go through this document for members ~~2~~ of the committee? Again, the upper figures are cost of construction figures, \$26, ~~xxx~~ ^{\$}28 and ^{\$}30. ~~Is~~ ^{Is} that correct?

Mr. Smith: That's right. This is obviously ^{it} ~~a~~ looks like Jack Simms' writing ^{he was} ~~our~~ our secretary-treasurer, so you've got the cost of the building, the tunnel at ⁰⁰⁰ \$300, the architects' fees at six per cent. Interim financing charges, cost of issue; ~~that is so we pay it on~~ ^{figured} ~~pay it on~~ an amortization cost of \$38,500,000. ~~something~~. Now obviously he has figured it at eight per cent and eight and a quarter per cent.

Mr. Shibley: The upper figures are eight per cent figures, are they not?

Mr. Smith: Three -- three-eighths -- yes, I see. ^{That's} ~~area~~
R 279, I guess

H-613-3

June 20/73
12.00-12.05 p.m.
E.M.

Mr. Shibley: ~~Starting~~ ^{What} Starting at the top half of the document, Mr. Smith, I take it ^{what} what was being computed here was the overall inclusive cost of constructing this building, starting with the basic item of cost of construction

Mr. Smith: He has just done a recap. of my figures that I had on the other page, hasn't he?

Mr. Shibley: But these are inclusive figures now; so that the bottom line is, I think, the line of interest to this committee.

Mr. Smith: These figures are a recap. of mine.

Mr. Shibley: Yes. If the cost of constructing the building was \$26 a square foot, the overall cost of the building was to be \$38.5 ^(million) Is that correct?

Mr. Smith: That's right.

Mr. Shibley: And if the cost of construction ⁽¹⁵⁾ \$28, the overall cost ^{is} \$42 million?

Mr. Smith: That's right.

Mr. Shibley: And at \$30 for cost of construction, the overall cost ⁽¹⁵⁾ \$44, 500,000?

Mr. Smith: That's right.

Mr. Shibley: Just going back to the \$28 figure, you computed that these other factors added \$6 a square foot, is that correct?

Mr. Smith: Yes.

Mr. Shibley: Are you telling us then that on the basis of a \$34 per square foot ^{building} figure, your estimate of all costs at eight per cent money was \$42 million?

Mr. Smith: Yes.

Mr. Shibley: Now, then, below that you work a second calculation

H-613-4

June 20/73
12.00-12.05 p.m.
E.M.

Mr. Shibley
Mr. Smithxxx Genest: I'm sorry, I am slow on these

mathematical matters. Did the witness say ^{what} at eight per cent,
it was \$42 million on the basis of ^{\$28} ~~\$22~~ a square foot? Do I
understand that correctly?

(Tape H-614 follows)

H-614-1

Mr. Chairman: I am sorry, I think the man who produced the ~~EVIDENCE~~ and I don't know his name, I think he will be called later, so perhaps

H-614-2

June 20, 1973
12:05 - 12:10 p.m.
B.G.

Mr. Smith: That's Mr. Grant.

~~Mr. Chairman:~~ He is the secretary-treasurer of our firm.

Mr. Chairman: Yes. Do you intend to call him, Mr. Shibley?
Yes, I think so.

Mr. Shibley: ~~Do you intend to call him?~~

Mr. Bullbrook: What did he say, do you know?

Mr. Smith: ~~All right, let's point out,~~ ^{He} said the building reads \$27.25 rather than \$28 ~~to~~ to equal a \$34 ~~building.~~

Mr. Shibley: It would be \$27.25 to equal a \$34 ~~figure.~~?

Mr. Smith: That's what Dave said.

Mr. Shibley: All right.

~~Mr. Laidlaw:~~ Excuse me, Mr. ~~Shibley~~ Shibley, may I just ask. I don't fathom that at all. Is there any way that we can go through that again? I just don't get it. Where does \$27.25 come from? I've got a \$28 ~~per~~ per sq. ft. building producing a total of \$44 million and that's ~~under~~ under the \$30 column, as far as I can see.

Mr. Shibley: Let's start again.

Mr. Bullbrook: We are talking about \$42 million.

Mr. Shibley: We are talking about the middle ~~at~~ column.

Mr. Laidlaw: I've got it.

Mr. Shibley: At which the basic cost of construction ~~is~~ set out at \$28 ~~per~~ ~~sq. ft.~~

Mr. Laidlaw: Yes.

Mr. Shibley: Inclusive of financing and design costs, would be \$42 million. I think what Mr. Grant has said is that the actual cost of financing and design would be more like \$6. ~~75~~?

Mr. Grant: If you took the \$28 ~~per~~ construction cost as shown there, that was based on a 1,200,000 sq. ft. overall building.

Mr. Shibley: Yes.

Mr. Grant: And adding the architectural fees, interim financing costs, and the tunnels, we come to a total of \$42 million.

H-614-3

June 20, 1973
12:05 - 12:10 p.m.
B.G.

(Mr. Grant)

That works out to $\$35$. a sq. ^{ft.} ~~ft.~~ overall.

Mr. Shibley: I see. That's an inclusive figure in terms of rentable and other space.

Mr. Grant: Total building size.

Mr. Genest: Gross space.

Mr. Shibley: Gross space. Is that correct?

Mr. ~~Smith~~ Smith: That's right.

Mr. Shibley: Now, in the ~~second~~ second half of this page,

Mr. Smith, the bottom line appears to be a calculation of the rentals again, predicated on the upper figures as to cost, so that at a $\$26$ ~~per~~ per sq. ft. cost ~~of~~ of construction, it would be $\$446$; at $\$28$ ~~per~~ per sq. ft., it would be $\$471$; and at ~~$\30~~ $\$30$ ~~per~~ per sq. ft., it would be $\$496$. Is that correct?

Mr. Smith: That's right; that's right.

Mr. Shibley: Now, again, seizing upon the $\$28$ ~~per~~ figure, because you mentioned that an ~~inclusive~~ inclusive figure would be $\$34$ ~~per~~ under this column; is that correct?

Mr. Smith: Well, Mr. Grant says it should be about $\$34.75$, I guess.

Mr. Shibley: $\$34.75$. And at $\$34.75$ cost per sq. ft. the rental rate that you ~~are~~ are computing here would be $\$471$.

Mr. Smith: Right.

Mr. Shibley: I might say the reason, members of the committee, that I am zeroing in on this column, is that I am trying to equate it with the $\$34$ ~~per~~ per sq. ft. quotation of Canada Square, for which they quoted a rental of $\$494$. And that was the basis upon which the agreement was ~~made~~ made subject to some variations.

H-615-1

June 20/73
12.10 to 12.11 pm
fvk

~~(Mr. Shibley)~~

~~Mr. Shibley states that he will be more than five or 10 minutes in finishing this. We will now recess until 3 o'clock this afternoon.~~

Mr. Chairman: Mr. Shibley states that he will be more
than five or 10 minutes in finishing this ³⁰ we will ~~recess~~ NOW
RECESS UNTIL 3 O'CLOCK THIS AFTERNOON.
~~to break at 12 and we will have recess~~

It being 12:11 of the clock, p.m. the committee took recess.

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Page</u>	<u>Description</u>
170.	603-1	Working File - Ellis-Don Ltd. re New Head Office Building.

3 1761 11466218 2